

05/17/07

COMMERCIAL PROPERTY DECLARATIONS

POLICY C06 15-31-06

NAMED INSURED: PUGET SOUND FREIGHT LINES INC
PER SCHEDULE OF NAMED INSURED

DESCRIPTION OF PREMISES:

PREMISES BUILDING		LOCATION	OCCUPANCY	CONSTRUCTION PROTECTION CLASS
NUMBER	NUMBER			
VRS VRS 1	VRS VRS 1	PER SCHEDULE PER SCHEDULE 3720 AIRPORT WAY SO SEATTLE, WA	PER SCHEDULE PER SCHEDULE OFFICE	MASONRY 02

COVERAGE - INSURANCE IS PROVIDED FOR THOSE COVERAGES FOR WHICH A SPECIFIC LIMIT OF INSURANCE IS SHOWN.

PREMISES NUMBER	BUILDING NUMBER	COVERAGE	LIMIT OF INSURANCE	COVERED CAUSES OF LOSS	DED.	*COINSURANCE	COMBINED RATE
VRS	VRS	BLANKET BUILDINGS	\$3,309,200	PER SCHEDULE	\$25,000	90%	.140
VRS	VRS	BLANKET BUSINESS PERSONAL PROPERTY	\$535,200	PER SCHEDULE	\$25,000	90%	.280
1	1	BLANKET BUSINESS INCOME	\$937,500	PER SCHEDULE	NONE	50%	.145

OPTIONAL COVERAGES - APPLICABLE ONLY WHEN ENTRIES ARE MADE IN THE SCHEDULE BELOW.

PREMISES NUMBER	BUILDING NUMBER	COVERAGE	AGREED VALUE EXPIRATION DATE	REPLACEMENT COST	INFLATION GUARD	**INDEMNITY TYPE
VRS	VRS	BLANKET BUILDINGS	06/01/08	PER SCHEDULE	PER SCHEDULE	
VRS	VRS	BLANKET BUSINESS PERSONAL PROPERTY	06/01/08	PER SCHEDULE	PER SCHEDULE	

*If Extra Expense Coverage, Limits of Loss Payments. **Applies to Business Income only.

MORTGAGE HOLDER(S):

** AS PER FORMS ATTACHED (1) **

FORMS AND ENDORSEMENTS - APPLYING TO THIS COVERAGE PART AND MADE PART OF THIS POLICY AT TIME OF ISSUE:

APPLICABLE TO ALL COVERAGES:

PER FORMS SCHEDULE ATTACHED

APPLICABLE TO SPECIFIC PREMISES/COVERAGES:

PREMISES NUMBER	BUILDING NUMBER	COVERAGE	FORM NUMBERS
VRS	VRS	BLANKET BUILDINGS	CP0010 04-02, CP1030 04-02, CP9993 10-90
VRS	VRS	BLANKET BUSINESS PERSONAL PROPERTY	CP1218 06-95+
VRS	VRS	BLANKET BUSINESS INCOME	CP0030 04-02, CP1030 04-02, CP9993 10-90

USEPA SF



1269973

PREMIUM: \$9,644.

COMMERCIAL PROPERTY FORMS SCHEDULE

POLICY NUMBER: C06 15-31-06

CP0090	07-88	COMMERCIAL PROPERTY CONDITIONS
CP0126	06-02	WASHINGTON CHANGES
CP0140	07-06	EXCL OF LOSS DUE TO VIRUS OR BACTER
IL0139	12-02	OREGON CHANGES
IL0157	07-02	WASHINGTON CHANGES - ACV
IL0173	07-02	WASHINGTON CHANGES - EXCL CAUSES
IL0279	01-06	OREGON CHANGES - CANCEL/NONRENEWAL
IL0935	07-02	EXCL-CERTAIN COMPUTER-RELATED LOSSE
IL0954	11-02	LMTD EXCL OF ACTS OF TERR/OTH - OR
IL0969	11-02	LMTD EXCL OF ACTS OF TERR OTH-ID WA
LCP4037	11-04	PROPERTY SELECT ENDORSMENT
LCP4047	06-03	WA CHANGES-LIMITATIONS ON FUNGUS WE
LCP4052	09-04	EQUIPMENT BREAKDOWN ENHANCEMENT END
LCP4056	01-06	STATE APPL OF TERR - TRIA ACCEPTED
OS425	02-90+	PROPERTY SCHEDULE
438BFUNS	05-42	LENDER'S LOSS PAYABLE ENDORSEMENT
CP0010	04-02	BUILDING AND PERSONAL PROPERTY
CP0030	04-02	BUSINESS INCOME COVERAGE FORM
CP1030	04-02	CAUSE OF LOSS - SPECIAL FORM
CP9993	10-90	TENTATIVE RATE
CP1218	06-95+	PUGET SOUND BANK

ORIGINAL

05/17/07

PROPERTY SCHEDULE

COMPANY LIBERTY NORTHWEST INSURANCE CORPORATION	POLICY C06 15-31-06
NAMED INSURED PUGET SOUND FREIGHT LINES INC PER SCHEDULE OF NAMED INSURED	

PREMISES NUMBER	BUILDING NUMBER	DESCRIPTION OF PREMISES (Location, Construction, Protection Class, Occupancy)	COVERAGE	CAUSES OF LOSS	REPLACEMENT COST	INFLATION GUARD
VRS	VRS	BLANKET BUILDINGS LIMIT OF INSURANCE IS \$3,309,200. 90 % COINSURANCE AT THE FOLLOWING LOCATIONS:	(SEE BELOW)	SPECIAL		
1	1	3720 AIRPORT WAY SO SEATTLE, WA 98134 MASONRY, PROTECTION CLASS 02 OCC. - OFFICE AGREED VALUE APPLIES: BUILDING	BUILDING		YES	
2	1	820 SO CHARLESTOWN ST SEATTLE, WA 98108 NON-COMB, PROTECTION CLASS 02 OCC. - AUTOMOTIVE REPAIR SHOP AGREED VALUE APPLIES: BUILDING	BUILDING		YES	
3	1	7413 8TH AVE SO SEATTLE, WA 98108 NON-COMB, PROTECTION CLASS 02 OCC. - WAREHOUSE AGREED VALUE APPLIES: BUILDING	BUILDING		YES	
4	1	7303 8TH AVE SO SEATTLE, WA 98124 FRAME, PROTECTION CLASS 02 OCC. - DISPATCH OFFICE/MECHANICS SHOP AGREED VALUE APPLIES: BUILDING	BUILDING		YES	
5	1	2110 COMMERCE ST ABERDEEN, WA 98520 FRAME, PROTECTION CLASS 05 OCC. - OFFICE/SHOP AGREED VALUE APPLIES: BUILDING	BUILDING		YES	
6	1	1155 WEST OLD KETTLE RD KETTLE FALLS, WA 99141 FRAME, PROTECTION CLASS 09 OCC. - TRUCK SHOP AGREED VALUE APPLIES: BUILDING	BUILDING		YES	
7	1	146 INDUSTRIAL WAY LONGVIEW, WA 98632 MASONRY, PROTECTION CLASS 04 OCC. - OFFICE AGREED VALUE APPLIES: BUILDING	BUILDING		YES	
7	2	146 INDUSTRIAL WAY LONGVIEW, WA 98632	BUILDING		YES	

Endorsement Number: _____

PROPERTY SCHEDULE

COMPANY LIBERTY NORTHWEST INSURANCE CORPORATION	POLICY C06 15-31-06
NAMED INSURED PUGET SOUND FREIGHT LINES INC PER SCHEDULE OF NAMED INSURED	

PREMISES NUMBER	BUILDING NUMBER	DESCRIPTION OF PREMISES (Location, Construction, Protection Class, Occupancy)	COVERAGE	CAUSES OF LOSS	REPLACEMENT COST	INFLATION GUARD
		FRAME, PROTECTION CLASS 04 OCC. - TRUCK SHOP/TIRE STORAGE AGREED VALUE APPLIES: BUILDING				

PROPERTY SCHEDULE

COMPANY	POLICY
LIBERTY NORTHWEST INSURANCE CORPORATION	C06 15-31-06
NAMED INSURED PUGET SOUND FREIGHT LINES INC PER SCHEDULE OF NAMED INSUREDS	

PREMISES NUMBER	BUILDING NUMBER	DESCRIPTION OF PREMISES (Location, Construction, Protection Class, Occupancy)	COVERAGE	CAUSES OF LOSS	REPLACEMENT COST	INFLATION GUARD
VRS	VRS	BLANKET BUS PERS PROP LIMIT OF INSURANCE IS \$535,200. 90 % COINSURANCE AT THE FOLLOWING LOCATIONS:	(SEE BELOW)	SPECIAL		
1	1	3720 AIRPORT WAY SO SEATTLE, WA 98134 MASONRY, PROTECTION CLASS 02 OCC. - OFFICE AGREED VALUE APPLIES: BUS PERS PROP	BUS PERS PROP		YES	
4	1	7303 8TH AVE SO SEATTLE, WA 98124 FRAME, PROTECTION CLASS 02 OCC. - DISPATCH OFFICE/MECHANICS SHOP AGREED VALUE APPLIES: BUS PERS PROP	BUS PERS PROP		YES	
6	1	1155 WEST OLD KETTLE RD KETTLE FALLS, WA 99141 FRAME, PROTECTION CLASS 09 OCC. - TRUCK SHOP AGREED VALUE APPLIES: BUS PERS PROP	BUS PERS PROP		YES	
7	2	146 INDUSTRIAL WAY LONGVIEW, WA 98632 FRAME, PROTECTION CLASS 04 OCC. - TRUCK SHOP/TIRE STORAGE AGREED VALUE APPLIES: BUS PERS PROP	BUS PERS PROP		YES	
8	1	180 INDUSTRIAL WAY LONGVIEW, WA 98632 NON-COMB, PROTECTION CLASS 04 OCC. - SHOP AGREED VALUE APPLIES: BUS PERS PROP	BUS PERS PROP		YES	
9	1	460 N DANEBO AVE #200 EUGENE, OR 97402 FRAME, PROTECTION CLASS 02 OCC. - OFFICE AGREED VALUE APPLIES: BUS PERS PROP	BUS PERS PROP		YES	

Endorsement Number: _____

PROPERTY SCHEDULE

COMPANY LIBERTY NORTHWEST INSURANCE CORPORATION	POLICY C06 15-31-06
NAMED INSURED PUGET SOUND FREIGHT LINES INC PER SCHEDULE OF NAMED INSURED	

PREMISES NUMBER	BUILDING NUMBER	DESCRIPTION OF PREMISES (Location, Construction, Protection Class, Occupancy)	COVERAGE	CAUSES OF LOSS	REPLACEMENT COST	INFLATION GUARD
VRS	VRS	BLANKET BUSINESS INCOME LIMIT OF INSURANCE IS \$937,500. 50 % COINSURANCE AT THE FOLLOWING LOCATIONS:	BUSINESS INCOME	SPECIAL		
1	1	3720 AIRPORT WAY SO SEATTLE, WA 98134 MASONRY, PROTECTION CLASS 02 OCC. - OFFICE			NO	
2	1	820 SO CHARLESTOWN ST SEATTLE, WA 98108 NON-COMB, PROTECTION CLASS 02 OCC. - AUTOMOTIVE REPAIR SHOP			NO	
3	1	7413 8TH AVE SO SEATTLE, WA 98108 NON-COMB, PROTECTION CLASS 02 OCC. - WAREHOUSE			NO	
4	1	7303 8TH AVE SO SEATTLE, WA 98124 FRAME, PROTECTION CLASS 02 OCC. - DISPATCH OFFICE/MECHANICS SHOP			NO	
6	1	1155 WEST OLD KETTLE RD KETTLE FALLS, WA 99141 FRAME, PROTECTION CLASS 09 OCC. - TRUCK SHOP			NO	
9	1	460 N DANEBO AVE #200 EUGENE, OR 97402 FRAME, PROTECTION CLASS 02 OCC. - OFFICE			NO	

Endorsement Number: _____

EVIDENCE OF PROPERTY INSURANCE

DATE

05/17/07

THIS EVIDENCE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE EVIDENCE HOLDER. THIS EVIDENCE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

PRODUCER

WILSON-HEIRGOOD ASSOCIATES
PO BOX 1421
2930 CHAD DR
EUGENE, OR 97440

CODE

8245-30

COMPANY

LIBERTY NORTHWEST INSURANCE CORPORATION
P.O. BOX 5048
PORTLAND, OR 97208-5048

INSURED

PUGET SOUND FREIGHT LINES INC
PER SCHEDULE OF NAMED INSUREDS
PO BOX 24526
SEATTLE, WA 981240526

POLICY NUMBER

C06 15-31-06

EFFECTIVE DATE

06/01/07

EXPIRATION DATE

06/01/08

LOAN NUMBER

ATTN BRUCE MALDER

THIS REPLACES EVIDENCE DATED:

PROPERTY INFORMATION

PREMISES DESCRIPTION

PREMISES 9, BUILDING 1: 460 N DANEBO AVE #200
EUGENE, OR

COVERAGE INFORMATION

COVERAGES CAUSES OF LOSS FORMS

LIMIT OF INSURANCE

COINSURANCE

DEDUCTIBLE

BLANKET BUS PERS PROP SPECIAL FORM INCL THEFT
CP1030

\$535,200.

90%

\$25,000.

REMARKS (Including Special Conditions)

CANCELLATION

THE POLICY IS SUBJECT TO THE PREMIUMS, FORMS AND RULES IN EFFECT FOR EACH POLICY PERIOD. SHOULD THE POLICY BE TERMINATED, THE COMPANY WILL GIVE THE ADDITIONAL INTEREST IDENTIFIED BELOW 30 DAYS WRITTEN NOTICE AND WILL SEND NOTIFICATION OF ANY CHANGES TO THE POLICY THAT WOULD AFFECT THAT INTEREST, IN ACCORDANCE WITH THE POLICY PROVISIONS OR AS REQUIRED BY LAW.

ADDITIONAL INTEREST

NAME AND ADDRESS

PUGET SOUND BANK
10500 NE 8TH ST STE 1800
BELLEVUE, WA 98004

NATURE OF INTEREST

☐

MORTGAGEE

☐

ADDITIONAL INSURED

☒

LOSS PAYEE

☐

(OTHER)

SIGNATURE OF AUTHORIZED AGENT OF COMPANY

COMMERCIAL PROPERTY CONDITIONS

This Coverage Part is subject to the following conditions, the Common Policy Conditions and applicable Loss Conditions and Additional Conditions in Commercial Property Coverage Forms.

A. CONCEALMENT, MISREPRESENTATION OR FRAUD

This Coverage Part is void in any case of fraud by you as it relates to this Coverage Part at any time. It is also void if you or any other insured, at any time, intentionally conceal or misrepresent a material fact concerning:

1. This Coverage Part;
2. The Covered Property;
3. Your interest in the Covered Property; or
4. A claim under this Coverage Part.

B. CONTROL OF PROPERTY

Any act or neglect of any person other than you beyond your direction or control will not affect this insurance.

The breach of any condition of this Coverage Part at any one or more locations will not affect coverage at any location where, at the time of loss or damage, the breach of condition does not exist.

C. INSURANCE UNDER TWO OR MORE COVERAGES

If two or more of this policy's coverages apply to the same loss or damage, we will not pay more than the actual amount of the loss or damage.

D. LEGAL ACTION AGAINST US

No one may bring a legal action against us under this Coverage Part unless:

1. There has been full compliance with all of the terms of this Coverage Part; and
2. The action is brought within 2 years after the date on which the direct physical loss or damage occurred.

E. LIBERALIZATION

If we adopt any revision that would broaden the coverage under this Coverage Part without addi-

tional premium within 45 days prior to or during the policy period, the broadened coverage will immediately apply to this Coverage Part.

F. NO BENEFIT TO BAILEE

No person or organization, other than you, having custody of Covered Property will benefit from this insurance.

G. OTHER INSURANCE

1. You may have other insurance subject to the same plan, terms, conditions and provisions as the insurance under this Coverage Part. If you do, we will pay our share of the covered loss or damage. Our share is the proportion that the applicable Limit of Insurance under this Coverage Part bears to the Limits of Insurance of all insurance covering on the same basis.
2. If there is other insurance covering the same loss or damage, other than that described in 1. above, we will pay only for the amount of covered loss or damage in excess of the amount due from that other insurance, whether you can collect on it or not. But we will not pay more than the applicable Limit of Insurance.

H. POLICY PERIOD, COVERAGE TERRITORY

Under this Coverage Part:

1. We cover loss or damage commencing:
 - a. During the policy period shown in the Declarations; and
 - b. Within the coverage territory.
2. The coverage territory is:
 - a. The United States of America (including its territories and possessions);
 - b. Puerto Rico; and
 - c. Canada.



**I. TRANSFER OF RIGHTS OF RECOVERY
AGAINST OTHERS TO US**

If any person or organization to or for whom we make payment under this Coverage Part has rights to recover damages from another, those rights are transferred to us to the extent of our payment. That person or organization must do everything necessary to secure our rights and must do nothing after loss to impair them. But you may waive your rights against another party in writing:

1. Prior to a loss to your Covered Property or Covered Income.

2. After a loss to your Covered Property or Covered Income only if, at time of loss, that party is one of the following:

- a. Someone insured by this insurance;
- b. A business firm:
 - (1) Owned or controlled by you; or
 - (2) That owns or controls you; or
- c. Your tenant.

This will not restrict your insurance.



THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

WASHINGTON CHANGES

This endorsement modifies insurance provided under the following:

COMMERCIAL PROPERTY COVERAGE PART

A. The following is added:

VEHICLES

The word "vehicles" as used in this Coverage Part means vehicles running on land or tracks, but not aircraft.

B. In the Appraisal Condition, the following statement does not apply: If there is an appraisal, we will still retain our right to deny a claim.

C. Loss Condition – Duties In The Event Of Loss Or Damage

The duty to notify the police if a law may have been broken does not apply.

D. Subparagraph e. of the Valuation Loss Condition in the Building And Personal Property Coverage Form is replaced by the following:

e. We will determine the value of Tenant's Improvements and Betterments in the event of loss or damage at:

- (1) Actual cash value of the lost or damaged property if you make repairs within a reasonable time after loss.**
- (2) A proportion of your original cost if you do not make repairs within a reasonable time after loss. We will determine the proportionate value as follows:**
 - (a) Multiply the original cost by the number of days from the loss or damage to the expiration of the lease; and**
 - (b) Divide the amount determined in (a) above by the number of days from the installation of improvements to the expiration of the lease.**

If your lease contains a renewal option, the expiration of the renewal option period will replace the expiration of the lease in this procedure.
- (3) Nothing if others pay for repairs or replacement.**

E. The Mortgageholders Additional Condition is replaced by the following:

Insurance Commissioner's Regulation No. 335/WAC-284-21-010 requires that Form 372 (Ed. 11-50) or Form 438 BFU (Ed. 5-42) be endorsed on this policy to replace the Mortgageholders Additional Condition.

F. Subparagraph e. of the Replacement Cost Optional Coverage is replaced by the following:

e. We will not pay more for loss or damage on a replacement cost basis than the least of (1), (2) or (3), subject to f. below:

- (1) The Limit of Insurance applicable to the lost or damaged property;**
- (2) The amount it would cost to replace the damaged item at the time of the loss with new property of similar kind and quality to be used for the same purpose; or**
- (3) The amount actually spent in repairing the damage, or replacing the damaged property with new property of similar kind and quality.**

If a building is rebuilt at a new premises, the cost described in e.(2) above is limited to the cost which would have been incurred if the building had been rebuilt at the original premises.

G. Paragraph A.11., Volcanic Action, of the Causes Of Loss – Basic Form and the Causes Of Loss – Broad Form;

The term Volcanic Action in Paragraph B.1.b.(5) and Paragraph F. of the Causes Of Loss – Special Form; and

The term Volcanic Action in Paragraphs A.2.c.(9), B.1.b.(5) and I.4. of the Mortgageholders Errors And Omissions Coverage Form are replaced by the following:

VOLCANIC ACTION

- 1. Volcanic Action means direct loss or damage resulting from the eruption of a volcano when the loss or damage is caused by:**
 - a. Volcanic blast or airborne shock waves;**
 - or**



b. Ash, dust or particulate matter.

This endorsement does not provide coverage for damage to:

- (1) Land;
- (2) Property in the open or in open sheds; or
- (3) Portions of buildings not completely enclosed, or personal property contained within those buildings.

All volcanic eruptions that occur within any 168-hour period will constitute a single occurrence.

2. Removal

Direct loss includes the cost to:

- a. Remove the ash, dust or particulate matter from the interior and exterior surfaces of the covered building; and
- b. Clean equipment and "stock". If "stock" cannot be returned to its state before the volcanic eruption, the measure of loss will be the reduction in actual cash value.

Payment for removal applies only to the initial deposit of ash, dust or particulate matter following a volcanic eruption. Subsequent deposits arising from the movement of volcanic dust or ash by wind or other means are not covered.

The following provision applies only to:

- (1) Business Income (And Extra Expense) Coverage Form;
- (2) Business Income (Without Extra Expense) Coverage Form; and
- (3) Extra Expense Coverage Form:

The "period of restoration" arising from the need for removal is the time necessary to remove the matter described with reasonable speed from the Covered Property.

3. Volcanic Action does not include loss caused by, resulting from, contributed to or aggravated by:

- a. Fire;
- b. Explosion;
- c. Flood, surface water, waves, tides, tidal waves, overflow of any body of water, or their spray, all whether driven by wind or not; or

d. Earth movement, including but not limited to earthquake, volcanic eruption, landslide, mine subsidence, lava flow, mud flow, earth sinking, earth rising or shifting.

H. Exclusion 2.d. of the Causes Of Loss – Special Form is replaced by the following:

- d.(1) Wear and tear;**
- (2) Rust, corrosion, fungus, decay, deterioration, hidden or latent defect or any quality in property that causes it to damage or destroy itself;**
- (3) Smog;**
- (4) Settling, cracking, shrinking or expansion;**
- (5) Nesting or infestation, or discharge or release of waste products or secretions, by insects, birds, rodents or other animals;**
- (6) Mechanical breakdown, including rupture or bursting caused by centrifugal force. But if mechanical breakdown results in elevator collision, we will pay for the loss or damage caused by that elevator collision;**
- (7) The following causes of loss to personal property;**
 - (a) Dampness or dryness of atmosphere;**
 - (b) Changes in or extremes of temperature; or**
 - (c) Marring or scratching.**

But if an excluded cause of loss that is listed in 2.d.(1) through (7) results in a "specified cause of loss", building glass breakage or collapse, as provided in the Additional Coverage, Collapse, we will pay for the loss or damage caused by that "specified cause of loss", building glass breakage or collapse.



THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

EXCLUSION OF LOSS DUE TO VIRUS OR BACTERIA

This endorsement modifies insurance provided under the following:

**COMMERCIAL PROPERTY COVERAGE PART
STANDARD PROPERTY POLICY**

- A.** The exclusion set forth in Paragraph **B.** applies to all coverage under all forms and endorsements that comprise this Coverage Part or Policy, including but not limited to forms or endorsements that cover property damage to buildings or personal property and forms or endorsements that cover business income, extra expense or action of civil authority.
- B.** We will not pay for loss or damage caused by or resulting from any virus, bacterium or other micro-organism that induces or is capable of inducing physical distress, illness or disease.
- However, this exclusion does not apply to loss or damage caused by or resulting from "fungus", wet rot or dry rot. Such loss or damage is addressed in a separate exclusion in this Coverage Part or Policy.
- C.** With respect to any loss or damage subject to the exclusion in Paragraph **B.**, such exclusion supersedes any exclusion relating to "pollutants".
- D.** The following provisions in this Coverage Part or Policy are hereby amended to remove reference to bacteria:
1. Exclusion of "Fungus", Wet Rot, Dry Rot And Bacteria; and
 2. Additional Coverage – Limited Coverage for "Fungus", Wet Rot, Dry Rot And Bacteria, including any endorsement increasing the scope or amount of coverage.
- E.** The terms of the exclusion in Paragraph **B.**, or the inapplicability of this exclusion to a particular loss, do not serve to create coverage for any loss that would otherwise be excluded under this Coverage Part or Policy.



THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

OREGON CHANGES

This endorsement modifies insurance provided under the following:

CAPITAL ASSETS PROGRAM (OUTPUT POLICY) COVERAGE PART
COMMERCIAL INLAND MARINE COVERAGE PART
COMMERCIAL PROPERTY COVERAGE PART
FARM COVERAGE PART – FARM PROPERTY – OTHER FARM PROVISIONS FORM – ADDITIONAL
COVERAGES, CONDITIONS, DEFINITIONS
FARM COVERAGE PART – LIVESTOCK COVERAGE FORM
FARM COVERAGE PART – MOBILE AGRICULTURAL MACHINERY AND EQUIPMENT
COVERAGE FORM

A. When this endorsement is attached to the **Standard Property Policy CP 00 99**, the term Coverage Part in this endorsement is replaced by the term Policy.

B. The **Concealment, Misrepresentation Or Fraud** Condition is replaced by the following:

CONCEALMENT, MISREPRESENTATION OR FRAUD

1. Subject to Paragraphs 2. and 3. below, this entire Coverage Part or Coverage Form will be void if, whether before or after a loss, you have willfully concealed or misrepresented any material fact or circumstance concerning this insurance or the subject of it, or your interest in it, or in case of any fraud or false swearing by you relating to it.
2. All statements made by you or on your behalf, in the absence of fraud, will be deemed representations and not warranties. No such statements that arise from an error in the application will be used in defense of a claim under this Coverage Part or Coverage Form unless:
 - a. The statements are contained in a written application; and
 - b. A copy of the application is endorsed upon or attached to this Coverage Part or Coverage Form when issued.
3. In order to use any representation made by you or on your behalf in defense of a claim under the Coverage Part or Coverage Form, we must show that the representations are material and that we relied on them.

C. Except as provided in **D.** below, the **Appraisal** Condition is replaced by the following:

APPRAISAL

If we and you disagree on the value of the property or the amount of loss ("loss") both parties may agree to an appraisal of the loss and to be bound by the results of that appraisal. If both parties so agree, then each party will select a competent and impartial appraiser. The two appraisers will select an umpire. If they cannot agree, either may request that selection be made by a judge of a court having jurisdiction. The appraisers will state separately the value of the property and amount of loss ("loss"). If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will be binding. Each party will:

1. Pay its chosen appraiser; and
2. Bear the other expenses of the appraisal and umpire equally.

If there is an appraisal, we will still retain our right to deny the claim.

D. The **Appraisal** Condition in:

1. Business Income Coverage Form (And Extra Expense) **CP 00 30**;
2. Business Income Coverage Form (Without Extra Expense) **CP 00 32**; and



3. Capital Assets Program Coverage Form (Output Policy) OP 00 01, Paragraph A.7. Business Income And Extra Expense

is replaced by the following:

APPRAISAL

If we and you disagree on the amount of Net Income and operating expense or the amount of loss, both parties may agree to an appraisal of the loss and to be bound by the results of that appraisal. If both parties so agree, then each party will select a competent and impartial appraiser. The two appraisers will select an umpire. If they cannot agree, either may request that selection be made by a judge of a court having jurisdiction. The appraisers will state separately the amount of Net Income and operating expense or amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will be binding. Each party will:

- a. Pay its chosen appraiser; and
- b. Bear the other expenses of the appraisal and umpire equally.

If there is an appraisal, we will still retain our right to deny the claim.

E. The following Loss Conditions:

- 1. Duties In The Event Of Loss (Or Damage);**
- 2. Duties If You Incur Extra Expense in Extra Expense Coverage Form CP 00 50; and**
- 3. Duties In The Event Of Loss Of Covered Leasehold Interest in Leasehold Interest Coverage Form CP 00 60**

are revised as follows:

The provision requiring a signed, sworn proof of loss is replaced by the following:

Send us a signed, sworn proof of loss containing the information we request to investigate the claim. You must do this within 90 days after you receive the necessary forms from us.

F. The Mortgageholders Condition in the:

- 1. Commercial Property Coverage Part; and**
- 2. Farm Coverage Part – Farm Property – Other Farm Provisions Form – Additional Coverages, Conditions, Definitions;**

is replaced by the following and the following is added to the Commercial Inland Marine Coverage Part:

MORTGAGEHOLDERS

a. Oregon law states as follows:

(1) "If loss hereunder is made payable, in whole or in part, to a designated mortgagee not named herein as the insured ('insured'), such interest in this policy may be canceled by giving to such mortgagee a 10 days' written notice of cancellation".

(2) "If the insured ('insured') fails to render proof of loss such mortgagee, upon notice, shall render proof of loss in the form herein specified within 60 days thereafter and shall be subject to the provisions hereof relating to appraisal and time of payment and of bringing suit. If this company shall claim that no liability existed as to the mortgagor or owner, it shall, to the extent of payment of loss to the mortgagee, be subrogated to all the mortgagee's rights of recovery, but without impairing mortgagee's right to sue; or it may pay off the mortgage debt and require an assignment thereof and of the mortgage. Other provisions relating to the interests and obligations of such mortgagee may be added hereto by agreement in writing".

- b. The term mortgageholder includes trustee.
- c. We will pay for covered loss of or damage to buildings or structures to each mortgageholder shown in the Declarations in their order of precedence, as interests may appear.
- d. The mortgageholder has the right to receive loss payment even if the mortgageholder has started foreclosure or similar action on the building or structure.
- e. If we deny your claim because of your acts or because you have failed to comply with the terms of this insurance, the mortgageholder will still have the right to receive loss payment if the mortgageholder:

- (1) Pays any premium due under this insurance at our request if you have failed to do so;
- (2) Submits a signed, sworn proof of loss in accordance with Paragraph a.(2); and
- (3) Has notified us of any change in ownership, occupancy or substantial change in risk known to the mortgageholder.

All the terms of the affected insurance will then apply directly to the mortgageholder.



f. If we cancel this policy, we will give written notice to the mortgageholder:

(1) In accordance with Paragraph a.(1); or

(2) At least:

(a) 10 days before the effective date of the cancellation if we cancel for your non-payment of premium; or

(b) 30 days before the effective date of cancellation if we cancel for any other reason other than provided for in Paragraph a.(1).

g. If we elect not to renew this policy, we will give written notice to the mortgageholder at least 10 days before the expiration date of this policy.



THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

WASHINGTON CHANGES – ACTUAL CASH VALUE

This endorsement modifies insurance provided under the following:

CAPITAL ASSETS PROGRAM (OUTPUT POLICY) COVERAGE PART
COMMERCIAL PROPERTY COVERAGE PART

The following is added:

The term actual cash value means:

- a. When the damage to property is economically repairable, actual cash value means the cost of repairing the damage, less reasonable deduction for wear and tear, deterioration and obsolescence.
- b. When the loss or damage to property creates a total loss, actual cash value means the market value of property in a used condition equal to that of the destroyed property, if reasonably available on the used market.
- c. Otherwise, actual cash value means the market value of new, identical or nearly identical property less reasonable deduction for wear and tear, deterioration and obsolescence.



THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

WASHINGTON CHANGES – EXCLUDED CAUSES OF LOSS

This endorsement modifies insurance provided under the following:

CAPITAL ASSETS PROGRAM (OUTPUT POLICY) COVERAGE PART
COMMERCIAL PROPERTY COVERAGE PART
FARM COVERAGE PART

A. In each of the following Forms:

1. CAUSES OF LOSS – BASIC FORM
2. CAUSES OF LOSS – BROAD FORM
3. CAUSES OF LOSS – EARTHQUAKE FORM
4. CAUSES OF LOSS – SPECIAL FORM
5. GLASS COVERAGE FORM
6. CAUSES OF LOSS FORM – FARM PROPERTY
7. LIVESTOCK COVERAGE FORM
8. MOBILE AGRICULTURAL MACHINERY AND EQUIPMENT COVERAGE FORM
9. MORTGAGE HOLDERS ERRORS AND OMISSIONS COVERAGE FORM
10. STANDARD PROPERTY POLICY
11. CAPITAL ASSETS PROGRAM COVERAGE FORM (OUTPUT POLICY)

in the sections titled Covered Causes of Loss or Exclusions, any introductory paragraph preceding an exclusion or list of exclusions is replaced by the following paragraph, which pertains to application of those exclusions:

We will not pay for loss or damage caused by any of the excluded events described below. Loss or damage will be considered to have been caused by an excluded event if the occurrence of that event:

- a. Directly and solely results in loss or damage; or
- b. Initiates a sequence of events that results in loss or damage, regardless of the nature of any intermediate or final event in that sequence.

B. With respect to the:

1. CAUSES OF LOSS – SPECIAL FORM
2. COVERED CAUSES OF LOSS – SPECIAL IN THE CAUSES OF LOSS FORM – FARM PROPERTY
3. MOBILE AGRICULTURAL MACHINERY AND EQUIPMENT COVERAGE FORM
4. MORTGAGE HOLDERS ERRORS AND OMISSIONS COVERAGE FORM
5. ACCOUNTS RECEIVABLE COVERAGE ENDORSEMENT
6. VALUABLE PAPERS AND RECORDS/ELECTRONIC MEDIA AND RECORDS ENDORSEMENT
7. CAPITAL ASSETS PROGRAM COVERAGE FORM (OUTPUT POLICY)

the Weather Conditions exclusion is replaced by the following exclusion:

Weather Conditions

- a. A weather condition which results in:
 - (1) Landslide, mudslide or mudflow;
 - (2) Mine subsidence; earth sinking, rising or shifting (other than sinkhole collapse);
 - (3) Flood, surface water, waves, tides, tidal waves, overflow of any body of water, or their spray, all whether driven by wind or not;
 - (4) Water backing up from a sewer or drain;
 - (5) Water under the ground surface pressing on, or flowing or seeping through:
 - (a) Foundations, walls, floors or paved surfaces;



- (b) Basements, whether paved or not; or
- (c) Doors, windows or other openings.

But if loss or damage by a Covered Cause of Loss results, we will pay for that resulting loss or damage.

- b. A weather condition which results in the failure of power or other utility service supplied to the described premises, if the failure originates away from the described premises. But if loss or damage by a Covered Cause of Loss results, we will pay for that resulting loss or damage.

C.1. The following exclusions:

B.3.b. and B.3.c. in the Causes of Loss – Special Form, Mobile Agricultural Machinery and Equipment Coverage Form, and Valuable Papers and Records (and Electronic Media and Records) Endorsement;

D.2.b. and D.2.c. in the Causes of Loss Form – Farm Property,

B.3.c. and B.3.d. in the Mortgage Holders Errors and Omissions Coverage Form, and

B.4.b. and B.4.c. in the Accounts Receivable Coverage Endorsement;

are replaced by the exclusions in Paragraph C.2. below:

C.2. Exclusions

- a. Acts or decisions, including the failure to act or decide, of any person, group, organization or governmental body. But if loss or damage by a Covered Cause of Loss results, we will pay for that resulting loss or damage.

- b. Faulty, inadequate or defective:

- (1) Planning, zoning, development, surveying, siting;

- (2) Design, specifications, workmanship, repair, construction, renovation, remodeling, grading, compaction;

- (3) Materials used in repair, construction, renovation or remodeling; or

- (4) Maintenance;

of part or all of any property on or off the described premises. But if loss or damage by a Covered Cause of Loss results, we will pay for that resulting loss or damage.



THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

OREGON CHANGES – CANCELLATION AND NONRENEWAL

This endorsement modifies insurance provided under the following:

BOILER AND MACHINERY COVERAGE PART
CAPITAL ASSETS PROGRAM (OUTPUT POLICY) COVERAGE PART
COMMERCIAL AUTOMOBILE COVERAGE PART
COMMERCIAL GENERAL LIABILITY COVERAGE PART
COMMERCIAL INLAND MARINE COVERAGE PART
COMMERCIAL PROPERTY COVERAGE PART
CRIME AND FIDELITY COVERAGE PART
EMPLOYMENT-RELATED PRACTICES LIABILITY COVERAGE PART
FARM COVERAGE PART
LIQUOR LIABILITY COVERAGE PART
PRODUCTS/COMPLETED OPERATIONS LIABILITY COVERAGE PART
PROFESSIONAL LIABILITY COVERAGE PART

A. Paragraph 2. of the Cancellation Common Policy Condition is replaced by the following:

2. If this policy has been in effect for:

- a. Fewer than 60 days and is not a renewal policy, we may cancel for any reason.**
- b. 60 days or more or is a renewal policy, we may cancel only for one or more of the following reasons:**

- (1) Nonpayment of premium;**
- (2) Fraud or material misrepresentation made by you or with your knowledge in obtaining the policy, continuing the policy or in presenting a claim under the policy;**
- (3) Substantial increase in the risk of loss after insurance coverage has been issued or renewed, including but not limited to an increase in exposure due to rules, legislation or court decision;**
- (4) Failure to comply with reasonable loss control recommendations;**
- (5) Substantial breach of contractual duties, conditions or warranties;**
- (6) Determination by the commissioner that the continuation of a line of insurance or class of business to which the policy belongs will jeopardize our solvency or will place us in violation of the insurance laws of Oregon or any other state; or**

- (7) Loss or decrease in reinsurance covering the risk.**

c. 60 days or more or is a renewal policy, we may cancel for any other reason approved by the commissioner by rule, but only with respect to insurance provided under the following:

- (1) A package policy that includes commercial property and commercial liability insurance;**
- (2) Commercial Automobile Coverage Part;**
- (3) Commercial General Liability Coverage Part;**
- (4) Commercial Property Coverage Part – Legal Liability Coverage Form;**
- (5) Commercial Property Coverage Part – Mortgageholders Errors And Omissions Coverage Form;**
- (6) Employment-Related Practices Liability Coverage Part;**
- (7) Farm Coverage Part – Farm Liability Coverage Form;**
- (8) Liquor Liability Coverage Part;**
- (9) Products/Completed Operations Liability Coverage Part; or**
- (10) Professional Liability Coverage Part.**

B. Paragraph 3. of the **Cancellation** Common Policy Condition is amended by the addition of the following:

3. We will mail or deliver to the first Named Insured written notice of cancellation, stating the reason for cancellation.

C. The following is added to the **Cancellation** Common Policy Condition:

7. Number Of Days' Notice Of Cancellation:

a. With respect to insurance provided under 2.c.(1) through (10) above, cancellation will not be effective until at least 10 working days after the first Named Insured receives our notice.

b. With respect to insurance other than that provided under 2.c.(1) through (10) above, cancellation will not be effective until at least:

(1) 10 days after the first Named Insured receives our notice, if we cancel for nonpayment of premium; or

(2) 30 days after the first Named Insured receives our notice, if we cancel for any other reason.

D. Paragraph 6. of the **Cancellation** Common Policy Condition does not apply.

E. The following are added and supersede any provision to the contrary:

1. Nonrenewal

We may elect not to renew this policy by mailing or delivering to the first Named Insured, at the last mailing address known to us, written notice of nonrenewal before the:

a. Expiration date of the policy; or

b. Anniversary date of the policy if the policy is written for a term of more than one year or without a fixed expiration date.

However, if this policy is issued for a term of more than one year and for additional consideration the premium is guaranteed, we may not refuse to renew the policy at its anniversary date.

Nonrenewal will not be effective until at least 45 days after the first Named Insured receives our notice.

2. Mailing Of Notices

a. If notice of cancellation or nonrenewal is mailed, a post office certificate of mailing will be conclusive proof that the first Named Insured received the notice on the third calendar day after the date of the certificate of mailing.

b. The following provision applies with respect to coverage provided under the Farm Coverage Part:

If the first Named Insured has affirmatively consented to our use of an electronic record to deliver notice of cancellation or nonrenewal and has not withdrawn such consent, then the electronic record delivering notice of cancellation or nonrenewal satisfies the requirement that the notice of cancellation or nonrenewal be provided, or made available, to the first Named Insured in writing if we send the first Named Insured the electronic record with a request for a return receipt and we receive the return receipt. If we do not receive the return receipt, we may cancel or nonrenew the policy only after providing or delivering the notice of cancellation or nonrenewal to the first Named Insured in writing, subject to Paragraph 2.a. above.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

EXCLUSION OF CERTAIN COMPUTER-RELATED LOSSES

This endorsement modifies insurance provided under the following:

COMMERCIAL INLAND MARINE COVERAGE PART
COMMERCIAL PROPERTY COVERAGE PART
CRIME AND FIDELITY COVERAGE PART
STANDARD PROPERTY POLICY

- A.** We will not pay for loss ("loss") or damage caused directly or indirectly by the following. Such loss ("loss") or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss ("loss") or damage.
- 1.** The failure, malfunction or inadequacy of:
 - a.** Any of the following, whether belonging to any insured or to others:
 - (1) Computer hardware, including micro-processors;
 - (2) Computer application software;
 - (3) Computer operating systems and related software;
 - (4) Computer networks;
 - (5) Microprocessors (computer chips) not part of any computer system; or
 - (6) Any other computerized or electronic equipment or components; or
 - b.** Any other products, and any services, data or functions that directly or indirectly use or rely upon, in any manner, any of the items listed in Paragraph **A.1.a.** of this endorsement;
 - 2.** Any advice, consultation, design, evaluation, inspection, installation, maintenance, repair, replacement or supervision provided or done by you or for you to determine, rectify or test for, any potential or actual problems described in Paragraph **A.1.** of this endorsement.
- B.** If an excluded Cause of Loss as described in Paragraph **A.** of this endorsement results:
- 1.** In a Covered Cause of Loss under the Crime and Fidelity Coverage Part, the Commercial Inland Marine Coverage Part or the Standard Property Policy; or
 - 2.** Under the Commercial Property Coverage Part:
 - a.** In a "Specified Cause of Loss", or in elevator collision resulting from mechanical breakdown, under the Causes of Loss - Special Form; or
 - b.** In a Covered Cause of Loss under the Causes Of Loss - Basic Form or the Causes Of Loss - Broad Form;
- we will pay only for the loss ("loss") or damage caused by such "Specified Cause of Loss", elevator collision, or Covered Cause of Loss.
- C.** We will not pay for repair, replacement or modification of any items in Paragraphs **A.1.a.** and **A.1.b.** of this endorsement to correct any deficiencies or change any features.
- due to the inability to correctly recognize, process, distinguish, interpret or accept one or more dates or times. An example is the inability of computer software to recognize the year 2000.



THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

LIMITED EXCLUSION OF ACTS OF TERRORISM (OTHER THAN CERTIFIED ACTS OF TERRORISM); CAP ON LOSSES FROM CERTIFIED ACTS OF TERRORISM; COVERAGE FOR CERTAIN FIRE LOSSES

This endorsement modifies insurance provided under the following:

COMMERCIAL INLAND MARINE COVERAGE PART
COMMERCIAL PROPERTY COVERAGE PART
FARM COVERAGE PART
STANDARD PROPERTY POLICY

A. The following definitions are added with respect to the provisions of this endorsement:

1. "Certified act of terrorism" means an act that is certified by the Secretary of the Treasury, in concurrence with the Secretary of State and the Attorney General of the United States, to be an act of terrorism pursuant to the federal Terrorism Risk Insurance Act of 2002. The criteria contained in that Act for a "certified act of terrorism" include the following:
 - a. The act resulted in aggregate losses in excess of \$5 million; and
 - b. The act is a violent act or an act that is dangerous to human life, property or infrastructure and is committed by an individual or individuals acting on behalf of any foreign person or foreign interest, as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.
2. "Other act of terrorism" means a violent act or an act that is dangerous to human life, property or infrastructure that is committed by an individual or individuals and that appears to be part of an effort to coerce a civilian population or to influence the policy or affect the conduct of any government by coercion, and the act is not certified as a terrorist act pursuant to the federal Terrorism Risk Insurance Act of 2002. However, "other act of terrorism" does not include an act which meets the criteria set forth in Paragraph b. of the definition of "certified act of terrorism", when such act resulted in aggregate losses of \$5 million or less.

B. The following exclusion is added:

EXCLUSION OF AN "OTHER ACT OF TERRORISM"

We will not pay for loss or damage caused directly or indirectly by an "other act of terrorism". Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss. But this exclusion applies only when one or more of the following are attributed to such act:

1. The terrorism is carried out by means of the dispersal or application of pathogenic or poisonous biological or chemical materials; or
2. Pathogenic or poisonous biological or chemical materials are released, and it appears that one purpose of the terrorism was to release such materials; or
3. The total of insured damage to all types of property in the United States, its territories and possessions, Puerto Rico and Canada exceeds \$25,000,000. In determining whether the \$25,000,000 threshold is exceeded, we will include all insured damage sustained by property of all persons and entities affected by the terrorism and business interruption losses sustained by owners or occupants of the damaged property. For the purpose of this provision, insured damage means damage that is covered by any insurance plus damage that would be covered by any insurance but for the application of any terrorism exclusions. Multiple incidents of "other acts of terrorism" which occur within a 72-hour period and appear to be carried out in concert or to have a related purpose or common leadership will be deemed to be one incident.



With respect to this Item B.3., the immediately preceding paragraph describes the threshold used to measure the magnitude of an "other act of terrorism" and the circumstances in which the threshold will apply, for the purpose of determining whether this exclusion will apply to that incident. When the exclusion applies to an "other act of terrorism", there is no coverage under this Coverage Part or Standard Property Policy.

C. Exception Covering Certain Fire Losses

If an "other act of terrorism" results in fire, we will pay for the loss or damage caused by that fire. Such coverage for fire applies only to direct loss or damage by fire to Covered Property. Therefore, for example, the exception does not apply to insurance provided under Business Income and/or Extra Expense coverage forms or endorsements which apply to those forms, or to the Legal Liability Coverage Form or the Leasehold Interest Coverage Form.

D. Cap On Certified Terrorism Losses

With respect to any one or more "certified acts of terrorism" under the federal Terrorism Risk Insurance Act of 2002, we will not pay any amounts for which we are not responsible under the terms of that Act (including subsequent action by Congress pursuant to the Act) due to the application of any clause which results in a cap on our liability for payments for terrorism losses.

E. Application Of Other Exclusions

The terms and limitations of any terrorism exclusion, or the inapplicability or omission of a terrorism exclusion, do not serve to create coverage for any loss which would otherwise be excluded under this Coverage Part or Standard Property Policy, such as losses excluded by the Nuclear Hazard Exclusion or the War And Military Action Exclusion.



THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

LIMITED EXCLUSION OF ACTS OF TERRORISM (OTHER THAN CERTIFIED ACTS OF TERRORISM); CAP ON LOSSES FROM CERTIFIED ACTS OF TERRORISM; COVERAGE FOR CERTAIN FIRE LOSSES

This endorsement modifies insurance provided under the following:

COMMERCIAL PROPERTY COVERAGE PART
FARM COVERAGE PART
STANDARD PROPERTY POLICY

A. The following definitions are added with respect to the provisions of this endorsement:

1. "Certified act of terrorism" means an act that is certified by the Secretary of the Treasury, in concurrence with the Secretary of State and the Attorney General of the United States, to be an act of terrorism pursuant to the federal Terrorism Risk Insurance Act of 2002. The criteria contained in that Act for a "certified act of terrorism" include the following:
 - a. The act resulted in aggregate losses in excess of \$5 million; and
 - b. The act is a violent act or an act that is dangerous to human life, property or infrastructure and is committed by an individual or individuals acting on behalf of any foreign person or foreign interest, as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.
2. "Other act of terrorism" means a violent act or an act that is dangerous to human life, property or infrastructure that is committed by an individual or individuals and that appears to be part of an effort to coerce a civilian population or to influence the policy or affect the conduct of any government by coercion, and the act is not certified as a terrorist act pursuant to the federal Terrorism Risk Insurance Act of 2002. However, "other act of terrorism" does not include an act which meets the criteria set forth in Paragraph b. of the definition of "certified act of terrorism", when such act resulted in aggregate losses of \$5 million or less.

B. The following exclusion is added:

EXCLUSION OF AN "OTHER ACT OF TERRORISM"

We will not pay for loss or damage caused directly or indirectly by an "other act of terrorism". Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss. But this exclusion applies only when one or more of the following are attributed to such act:

1. The terrorism is carried out by means of the dispersal or application of pathogenic or poisonous biological or chemical materials; or
2. Pathogenic or poisonous biological or chemical materials are released, and it appears that one purpose of the terrorism was to release such materials; or
3. The total of insured damage to all types of property in the United States, its territories and possessions, Puerto Rico and Canada exceeds \$25,000,000. In determining whether the \$25,000,000 threshold is exceeded, we will include all insured damage sustained by property of all persons and entities affected by the terrorism and business interruption losses sustained by owners or occupants of the damaged property. For the purpose of this provision, insured damage means damage that is covered by any insurance plus damage that would be covered by any insurance but for the application of any terrorism exclusions. Multiple incidents of "other acts of terrorism" which occur within a 72-hour period and appear to be carried out in concert or to have a related purpose or common leadership will be deemed to be one incident.



With respect to this Item B.3., the immediately preceding paragraph describes the threshold used to measure the magnitude of an "other act of terrorism" and the circumstances in which the threshold will apply, for the purpose of determining whether this exclusion will apply to that incident. When the exclusion applies to an "other act of terrorism", there is no coverage under this Coverage Part or Standard Property Policy.

C. Exception Covering Certain Fire Losses

If an "other act of terrorism" results in fire, we will pay for the loss or damage caused by that fire. Such coverage for fire applies only to direct loss or damage by fire to Covered Property. Therefore, for example, the exception does not apply to insurance provided under Business Income and/or Extra Expense coverage forms or endorsements which apply to those forms, or to the Legal Liability Coverage Form or the Leasehold Interest Coverage Form.

D. Cap On Certified Terrorism Losses

With respect to any one or more "certified acts of terrorism" under the federal Terrorism Risk Insurance Act of 2002, we will not pay any amounts for which we are not responsible under the terms of that Act (including subsequent action of Congress pursuant to the Act) due to the application of any clause which results in a cap on our liability for payments for terrorism losses.

E. Application Of Other Exclusions

The terms and limitations of any terrorism exclusion, or the inapplicability or omission of a terrorism exclusion, do not serve to create coverage for any loss which would otherwise be excluded under this Coverage Part or Standard Property Policy, such as losses excluded by the Nuclear Hazard Exclusion or the War And Military Action Exclusion.



THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

PROPERTY SELECT ENDORSEMENT

This endorsement modifies insurance provided under the following:

**BUILDING AND PERSONAL PROPERTY COVERAGE FORM
BUSINESS INCOME COVERAGE FORM (WITH EXTRA EXPENSE)
BUSINESS INCOME COVERAGE FORM (WITHOUT EXTRA EXPENSE)
CAUSES OF LOSS - SPECIAL FORM
COMMERCIAL PROPERTY CONDITIONS**

The coverages in this endorsement are subject to the provisions applicable to the Building and Personal Property Coverage Form, Causes of Loss - Special Form, and the Commercial Property Conditions.

1. Covered Property Amendments

- a. Amended Perimeter Extension 1,000 feet
- b. Patterns, Dies, Molds and Forms Included in BPP limit
- c. Fine Arts Included in BPP limit

2. Real Property Coverage Additions

- a. Building Ordinance or Law
 - 1. Loss to Undamaged Portion 10% of building limit, to \$250,000
 - 2. Demolition Cost Included in above limit
 - 3. Increased Cost of Construction Included in building limit
- b. Brands and Labels \$10,000

3. Real Property Coverage Extensions

- | | | | |
|---|-----------|--|----------|
| a. Newly acquired or constructed: | | j. Sewer and Drain Backup | \$10,000 |
| Buildings | \$500,000 | | |
| Business Personal Property | \$250,000 | k. Fire Extinguisher Recharge | \$5,000 |
| b. Personal Effects and Property of Others | \$10,000 | | |
| c. Valuable Papers and Records | \$15,000 | l. Inventory or Appraisal Cost | \$5,000 |
| d. Valuable Papers and Records - Cost of Research | \$15,000 | m. "EDP and Telephone Systems", "Data" and "Media" | \$15,000 |
| e. Accounts Receivable | \$25,000 | n. Fire Department Service Charge | \$25,000 |
| f. Property Off-Premises | \$25,000 | o. Spoilage Coverage | \$2,500 |
| g. Outdoor Property | \$25,000 | p. Property in Transit | \$25,000 |
| h. Money and Securities | | q. Rental Reimbursement | \$10,000 |
| Inside | \$5,000 | | |
| Outside | \$2,000 | | |
| i. Arson Reward | \$5,000 | | |

4. Business Income Coverage Extensions

- a. Amended Perimeter Extension 1,000 feet
- b. Contingent Business Income \$10,000
- c. Business Income - Civil Authority Included in BII limit
- d. Ordinance or Law - Increased Period of Restoration \$10,000
- e. EDP Media - Extra Expense and Business Income \$10,000

The following applies to coverages under this endorsement only.

1. Section A.1. of the Building and Business Personal Property Coverage Form is amended as follows:

a. Premises Perimeter Extension

All references to "within 100 feet of the described premises" are amended to read "within 1,000 feet of the described premises".

b. Patterns, Dies, Molds and Forms

Patterns, dies, molds and forms is added to the description of Your Business Personal Property (Paragraph A.1.b.).

c. Fine Arts

"Fine arts" is added to the description of Your Business Personal Property (Paragraph A.1.b.).

If there is not a schedule of your "fine arts" on file with us, we will pay the appraised market value at the time and place of loss.

2. Section A.4. of the Building and Business Personal Property Coverage Form is amended by adding the following ADDITIONAL COVERAGES

a. Building Ordinance or Law

1. Coverage A - Coverage for Loss to the Undamaged Portion of the Building

If a Covered Cause of Loss occurs to Covered Building Property, we will pay for loss to the undamaged portion of the building caused by enforcement of any ordinance or law that:

- (a) Requires the demolition of parts of the same property not damaged by a Covered Cause of loss;
- (b) Regulates the construction or repair of buildings, or establishes zoning or land use requirements at the described premises; and
- (c) Is in force at the time of loss.

2. Coverage B - Demolition Cost Coverage

We will pay the cost to demolish and clear the site of undamaged parts of the property caused by enforcement of building, zoning or land use ordinance or law.

3. Coverage C - Increased Cost of Construction

If a Covered Cause of Loss occurs to a covered Building insured under this policy at a premises described in the Declarations, we will pay the increased costs to repair, rebuild or construct the damaged building caused by the enforcement of a building, zoning or land use ordinance or law.

We will not pay for the increased cost of construction if the building is not repaired or replaced.

Under this Additional Coverage, we will not pay:

- (a) Any costs due to an ordinance or law you were required to comply with before the loss, even when the building was undamaged;
- (b) Any costs due to an ordinance or law you failed to comply with;
- (c) Any costs associated with the enforcement of an ordinance or law which requires any insured or others to test for, monitor, clean up, remove, contain, treat, detoxify, or neutralize, or in any way respond to, or assess the affects of such "pollutants" and asbestos whether or not such asbestos is deemed to be a "pollutant".

With respect to this Additional Coverage, we will not pay for the increased cost of construction unless the repairs or replacement are made as soon as reasonably possible after the loss or damage, not exceeding two years. We may extend this period in writing during the two years.

4. Building Ordinance - Limits of Insurance

- (a) Under Coverages A and B, we will pay for loss or damage to Covered Property, up to 10% of the Limit of Insurance for Building shown in the Declarations, but not more than \$250,000 at each location.
- (b) Under Coverage C, the limit for this Additional Coverage is included in the Limit of Insurance for Buildings shown in the Declarations.

b. Brands and Labels

If your "stock" is damaged by a Covered Cause of Loss, you have two options when you do not want to sell it under your brand or label even though it has a salvage value. You may:

- (1) Remove the brand or label and then re-label the "stock" to comply with law; or
- (2) Label the damaged "stock" as salvage, but in doing so, cause no further damage to the damaged "stock".

In either case, we will pay the difference between the salvage value of the damaged "stock" with the brand and label attached, and the salvage value of the damaged "stock" with the brand and label removed.

The most we will pay for the cost of removing or relabeling "stock" is \$10,000.

This Additional Coverage does not increase the Business Personal Property Limit shown in the Declarations.

3. Section A.5. Coverage Extensions of the Building and Personal Property Form is deleted in its entirety and replaced by the following:

A.5. COVERAGE EXTENSIONS

Except as otherwise provided, the following Extensions apply to property located in or on the building described in the Declarations or in the open (or in a vehicle) within 1,000 feet of the described premises.

If a Coinsurance percentage of 80% or more, or a Value Reporting period symbol, is shown in the Declarations, you may extend the insurance provided by this Coverage Part as follows:

a. Newly Acquired or Constructed Property

- (1) If this policy covers buildings, you may extend that insurance to apply to:
 - (a) Your new buildings while being built on the described premises; and
 - (b) Buildings you acquire at locations, other than the described premises, intended for:
 - (i) Similar use as the building described in the Declarations; or
 - (ii) Use as a warehouse.

The most we will pay for loss or damage under this Extension is 25% of the Limit of Insurance for Building shown in the Declarations but not more than \$500,000 at each building.

- (2) If this policy covers Business Personal Property, you may extend that insurance to apply to property at any location you acquire other than at fairs or exhibitions.

The most we will pay for loss or damage under this Extension is 10% of the Limit of Insurance for Your Business Personal Property shown in the Declarations but not more than \$250,000 at each building.

- (3) Insurance under this Extension for each newly acquired or constructed property will end when any of the following first occurs:

- a) This policy expires;
- b) 90 days expire after you acquire or begin to construct the property; or
- c) You report values to us.

We will charge you additional premium for values reported from the date construction begins or you acquire the property.

b. Personal Effects and Property of Others

You may extend the insurance that applies to Business Personal Property to apply to:

- (1) Personal effects owned by you, your officers, your partners or members, your managers or your employees. This Extension does not apply to loss or damage by theft.
- (2) Personal property of others in your care, custody or control.

The most we will pay for loss or damage under this Extension is \$10,000 at each described premises. Our payment for loss of or damage to personal property of others will only be for the account of the owner of the property.

c. Valuable Papers and Records

You may extend the insurance that applies to Business Personal Property to apply for "loss" to "valuable papers and records" that are your property or property of others in your care, custody or control.

- (1) We will pay up to \$15,000 for "loss" in any one occurrence to "valuable papers and records" caused by or resulting from the Covered Causes of Loss shown below.

(2) Property Not Covered

Covered "valuable papers and records" does not include:

- (a) Property held as samples or for delivery after sale; or
- (b) Property in storage away from the "premises" shown in the Declarations.

(3) Covered Causes of Loss

Covered Causes of Loss means **Risks of Direct Physical "Loss"** to covered "valuable papers and records" except those causes of "loss" listed in the Exclusions.

(4) Coverage Extension - Removal

If you give us written notice within 10 days of removal of your covered "valuable papers and records" because of imminent danger of "loss", we will pay for "loss" while they are:

- (a) At a safe place away from your "premises"; or
- (b) Being taken to and returned from that place.

This Removal Extension is included within the Limit of Insurance applicable to the "Valuable Papers and Records" coverage at the "premises" from which the "valuable papers and records" are removed.

(5) Away From Your Premises

We will pay up to \$5,000 for "loss" to "valuable papers and records" while they are away from your "premises".

(6) Additional Conditions

Subparagraph E. 7. f. of the Building and Personal Property Coverage Form does not apply to "valuable papers and records" that are actually replaced or restored.

(7) Protection of Valuable Papers and Records

Whenever you are not open for business, and except while you are actually using the records, you must keep all covered "valuable papers and records" in fully enclosed metal receptacles at the premises shown in the Declarations.

This requirement does not apply to the records while they are temporarily away from the premises described in the Declarations.

d. Valuable Papers and Records – Cost of Research

You may extend the insurance that applies to Business Personal Property to apply to your costs to research, replace or restore the lost information on lost or damaged Valuable Papers and Records that are:

- (a) Your property; or

(b) The property of others in your care, custody or control for which duplicates do not exist.

As used in this Extension, Valuable Papers and Records includes Project Research and Development documentation, including that used to reproduce prototypes.

The most we will pay under this Extension is \$15,000 at each described premises.

e. Accounts Receivable

You may extend the insurance that applies to Business Personal Property to cover the records of accounts receivable.

(1) We will pay:

- (a) All amounts due from your customers that you are unable to collect;
- (b) Interest charges on any loan required to offset amounts you are unable to collect pending our payment of these amounts;
- (c) Collection expenses in excess of your normal collection expenses that are made necessary by "loss"; and
- (d) Other reasonable expenses that you incur to re-establish your records of accounts receivable that result from Covered Causes of Loss to your records of accounts.

(2) Property Not Covered

Coverage does not apply to records of accounts receivable in storage away from the "premises" shown in the Declarations.

(3) Covered Causes of Loss

Covered Causes of Loss means **Risks of Direct Physical "Loss"** to your records of accounts receivable except those causes of "loss" listed in the Exclusions.

(4) Coverage Extension - Removal

If you give us written notice within 10 days of removal of your records of accounts receivable because of imminent danger of "loss", we will pay for "loss" while they are:

- (a) At a safe place away from your "premises"; or
- (b) Being taken to and returned from that place.

This Removal Extension is included within the Limit of Insurance applicable to Accounts Receivable Coverage at the "premises" from which the records of accounts receivable are removed.

(5) Additional Conditions

The following is added to paragraph E. 7. **Valuation of the Building and Personal Property Coverage Form.**

- (a) If you cannot accurately establish the amounts of accounts receivable outstanding as of the time of "loss", the following method will be used:
 - (i) Determine the total of the average monthly amount of accounts receivable for the 12 months immediately preceding the month in which the loss or damage occurs; and
 - (ii) Adjust the total for any normal fluctuations in the amount of accounts receivable for the month in which the loss occurred or for any demonstrated variance from the average for that month.
- (b) The following will be deducted from the total amount of accounts receivable, however that amount is established:
 - (i) The amount of the accounts for which there is no "loss";
 - (ii) The amount of the accounts that you are able to re-establish or collect;
 - (iii) An amount to allow for probable bad debts that you are normally unable to collect; and
 - (iv) All unearned interest and service charges.

(6) Protection of Records

Whenever you are not open for business, and except while you are actually using the records, you must keep all records of accounts receivable in fully enclosed metal receptacles at the "premises" shown in the Declarations.

The most we will pay for loss in any one occurrence under this Extension is \$25,000.

(7) Exclusions applicable to Valuable Papers and Records, Valuable Papers and Records – Cost of Research and Accounts Receivable

(a) None of the exclusions in Section B. Exclusions of the Causes of Loss Form apply to Accounts Receivable, Valuable Papers and Records or Valuable Papers and Records– Cost of Research Coverages provided under this endorsement except:

- (i) B.1.c. Governmental Action;
- (ii) B.1.d. Nuclear Hazard; and
- (iii) B.1.f. War and Military Action.

(b) We will not pay for "loss" caused by or resulting from any of the following. But if "loss" by a Covered Cause of Loss results, we will pay for that resulting "loss".

- (i) Weather conditions. But this exclusion only applies if weather conditions contribute in any way with a cause or event excluded in paragraph (7) (a) above to produce the "loss".
- (ii) Acts or decisions, including the failure to act or decide, of any person, group, organization or governmental body.

(c) Faulty, inadequate or defective:

- (i) Planning, zoning, developing, surveying, siting;
 - (ii) Design, specifications, workmanship, repair, construction, renovation or remodeling, grading, compaction;
 - (iii) Materials, used in repair, construction, renovation or remodeling; or
 - (iv) Maintenance
- of part or all of any property wherever located.

(d) We will not pay for "loss" caused by or resulting from any of the following:

(i) Dishonest acts by:

- a) You, your employees or authorized representatives;
- b) Anyone else with an interest in property, or their employees or authorized representatives;
- c) Anyone else to whom the property is entrusted.

This exclusion applies whether or not such persons are acting alone or in collusion with other persons or such acts occur during the hour of employment.

But this exclusion does not apply to "valuable papers and records" and or records of accounts receivable that are entrusted to others who are carriers for hire.

- d) Delay, loss of use, loss of market or any other consequential loss.
- e) Voluntary parting of "valuable papers and records" or records of accounts receivable by you or anyone entrusted with the property if induced to do so by any fraudulent scheme, trick, device or false pretense.

(8) Exclusions Applicable to Accounts Receivable Coverage Only

(a) We will not pay for "loss" caused by or resulting from any of the following:

- (i) Alteration, falsification, concealment or destruction of records of accounts receivable done to conceal the wrongful giving, taking or withholding of money, securities or other property.

This exclusion applies only to the extent of the wrongful giving, taking or withholding.

- (ii) Bookkeeping, accounting or billing errors or omissions.

- (b) We will not pay for "loss" that requires any audit of records or any inventory computation to prove its factual existence.
- (c) We will not pay for "loss" caused by or resulting from electrical or magnetic injury, disturbance or erasure of electronic recordings that is caused by or results from:
 - (i) Programming errors or faulty machine instructions;
 - (ii) Faulty installation or maintenance of data processing equipment or component parts;
 - (iii) An occurrence that took place more than 100 feet from your "premises"; or
 - (iv) Interruption of electrical power supply, power surge, blackout or brownout if the cause of such occurrence took place more than 100 feet from your "premises".

But we will pay for direct "loss" caused by lightning.

(9) Exclusion Applicable to Valuable Papers and Records and Valuable Papers and Records— Cost of Research Coverage Only

- (a) We will not pay for "loss" caused by or resulting from errors or omissions in processing or copying.
But we will pay for direct "loss" caused by resulting fire or explosion if these causes of "loss" would be covered by this coverage form.
- (b) We will not pay for "loss" caused by or resulting from electrical or magnetic injury, disturbance or erasure of electronic recordings.

But we will pay for direct "loss" caused by lightning.

f. Property Off-Premises

You may extend the insurance provided by this Coverage Form to apply to your Covered Property, that is temporarily at a location you do not own, lease or operate, including property at Fairs and Exhibitions.

This Extension does not apply to Covered Property in or on a vehicle, Money and Securities, Valuable Papers or Accounts Receivable.

The most we will pay for loss or damage under this Extension is \$25,000.

g. Outdoor Property

You may extend the insurance provided by this Coverage Form to apply to your outdoor fences, radio and television antennas (including satellite dishes), signs (other than signs attached to buildings), trees, shrubs and plants (other than "stock" of trees, shrubs or plants), including debris removal expense, caused by or resulting from any of the following causes of loss if they are Covered Causes of Loss:

- (1) Fire;
- (2) Lightning;
- (3) Explosion;
- (4) Riot or Civil Commotion; or
- (5) Aircraft.

The most we will pay for loss or damage under this Extension is \$25,000 but not more than \$1,000 for any one tree, shrub or plant.

h. Money and Securities

- (1) We will pay for loss of "money" and "securities" used in your business caused by theft (meaning any act of stealing), disappearance or destruction. The most we will pay for loss in any one "occurrence" under this Extension is:
 - (a) \$5,000 for "money" and "securities" while inside the "premises" or a "banking premises".
 - (b) \$2,000 for "money" and "securities" while in the care and custody of a "messenger".

(2) Additional Exclusions Applicable to Money and Securities

We will not pay for loss as specified below:

- (a) Loss resulting from accounting or arithmetical errors or omissions;
- (b) Loss resulting from the giving or surrendering of property in any exchange or purchase.
- (c) Loss of property contained in any money operated device unless the amount of "money" deposited in it is recorded by a continuous recording instrument in the device.
- (d) Loss resulting from any dishonest or criminal act committed by any of your "employees", directors, trustees or authorized representatives:
 - (i) Acting alone or in collusion with other persons; or
 - (ii) While performing services for you or otherwise.
- (e) Loss of property after it has been transferred or surrendered to a person or place outside the "premises" or "banking premises".
 - (i) On the basis of unauthorized instructions; or
 - (ii) As a result of a threat to do:
 - a) Bodily harm to any person; or
 - b) Damage to any property.
 - (iii) But, this exclusion does not apply to loss of "money" and "securities" while outside the "premises" or "banking premises" in the care and custody of a "messenger" if you:
 - a) Had no knowledge of any threat at the time the conveyance began; or
 - b) Had knowledge of a threat at the time the conveyance began, but the loss was not related to the threat.
- (f) Loss resulting from your, or anyone acting on your express or implied authority, being induced by any dishonest act to voluntarily part with title to or possession of any property.

(3) Additional Conditions

- (a) The reference to "money" and "securities" in subparagraph A. Property Not Covered 2.a. does not apply to the coverage provided by this Extension.
- (b) You must keep records of all "money" and "securities" so we can verify the amount of loss or damage.

i. Arson Reward

We will reimburse you for an arson reward that you give to someone who discloses information that leads to the conviction of a person or persons for arson at the premises described in the Declarations.

The most we will pay under this Extension is \$5,000 each occurrence.

j. Back-Up of Sewers and Drains

We will pay for loss or damage to covered Property caused by or resulting from water that backs up from a sewer or drain.

Exclusion B. 1. g. (3) of the Causes of Loss - Special Form does not apply to this Extension.

The most we will pay under this Extension is \$10,000 each occurrence.

k. Recharging of Fire Extinguishers

We will pay your expenses to recharge your automatic fire protection equipment when discharged;

- (1) To extinguish a fire;
- (2) As a result of a Covered Cause of Loss; or
- (3) Accidentally, but only up to a maximum of \$5,000 for each accidental discharge.

Payment of these expenses is included within the applicable Limit of Insurance. No deductible applies to these expenses.

I. Inventory or Appraisal Cost

We will pay up to \$5,000 each occurrence for the cost of any inventory or appraisal required as a result of direct physical loss or damage to covered property caused by or resulting from a covered cause of loss.

m. "EDP and Telephone Systems", "Data" and "Media"

(1) The following exclusions in the Causes of Loss - Special Form do not apply to this Coverage Extension. You may extend the insurance that applies to Business Personal Property to apply to loss or damage to "EDP and telephone systems" that are covered by the elimination of these exclusions:

- (a) Exclusion 1.b. (Earth Movement)
- (b) Exclusion 1.e. (Utility Services);
- (c) Exclusion 1.g. (Water)
- (d) Exclusion 2.a. (Artificially Generated Electrical Current);
- (e) Exclusion 2.d.(6) (Mechanical Breakdown);
- (f) Exclusion 2.d.(7) (Dampness or dryness of atmosphere, changes in or extremes of temperature and marring or scratching.)

(2) The value of "data" and "media" under this Extension will be either:

- (a) The actual cost of reproducing or replacing the lost or damaged "data" and "media" if you actually reproduce or replace them; or
- (b) The cost to replace the blank media with substantially identical property.

(3) We will not cover "data" and "media" which cannot be replaced or reproduced with others of the same kind or quality.

The Limit of Insurance for this Extension is \$15,000.

This Extension does not increase the otherwise applicable Limits of Insurance.

n. Fire Department Service Charge

When the fire department is called to save or protect Covered Property from a Covered cause of Loss, we will pay up to \$25,000 for your liability for fire department service charges.

- (1) Assumed by contract or agreement prior to loss; or
- (2) Required by local ordinance.

o. Spoilage Coverage

Coverage is extended to insure against loss of "perishable stock" at the described premises owned by you or by others that is in your care, custody or control, caused by or resulting from:

(1) (a) **Breakdown or Contamination, meaning:**

- (i) Change in temperature or humidity resulting from mechanical breakdown or failure of refrigerating, cooling or humidity control apparatus or equipment, only while such equipment or apparatus is at the described premises; and
- (ii) Contamination by the refrigerant.

(b) **Power Outage, meaning** change in temperature or humidity resulting from complete or partial interruption of electrical power, either on or off the described premises, due to conditions beyond your control.

The most we will pay under this Coverage Extension is \$2,500.

(2) **Selling Price**

We will determine the value of finished "perishable stock" in the event of loss or damage at:

- (a) The selling price, as if no loss or damage had occurred;
- (b) Less discounts and expenses you otherwise would have had.

(3) Property Not Covered

Property located:

- (a) On buildings;
- (b) In the open; or
- (c) In vehicles.

(4) Exclusions

The following exclusions apply to Spoilage Coverage:

- (a) Earth Movement
- (b) Governmental Action
- (c) Nuclear Hazard
- (d) War and Military Action
- (e) Water.

We will not pay for loss or damage caused by or resulting from:

- (i) The disconnection of any refrigerating, cooling or humidity control system from the source of power.
- (ii) The deactivation of electrical power caused by the manipulation of any switch or other device used to control the flow of electrical power or current.
- (iii) The inability of an Electrical Utility Company or other power source to provide sufficient power due to:
 - a) Lack of fuel; or
 - b) Governmental order.
- (iv) The inability of power source at the described premises to provide sufficient power due to lack of generating capacity to meet demand.
- (v) Breaking of any glass that is a permanent part of any refrigerating, cooling or humidity control unit.

(5) Additional Condition

The following condition applies in addition to the Common Policy Conditions and the Commercial Property Conditions.

Refrigeration Maintenance Agreements

If a refrigeration maintenance agreement is applicable, the following condition applies:

You must maintain the refrigeration maintenance or service agreement. If you voluntarily terminate this agreement and do not notify us, the insurance provided by this endorsement will be automatically suspended at the involved location.

(6) Definition

"Perishable Stock" means personal property:

- a. Maintained under controlled conditions for its preservation; and
- b. Susceptible to loss or damage if the controlled conditions change.

p. Property In Transit

- (1) Provided that you are not responsible as a carrier for hire, carloader, consolidator, broker, freight forwarder, shipping association or other arranger of transportation, you may extend this insurance to cover direct physical loss caused by a Covered Causes of Loss to:

- (a) Your Business Personal Property;
- (b) Personal Effects and Property of Others;

(c) "EDP and Telephone Systems", "Data" and "Media"; and

(d) Valuable Papers and Records, including Valuable Papers and Records – Cost of Research

to apply to shipments of that property while in transit at your risk by motor vehicle, railroad car or aircraft, between points within the coverage territory.

This includes similar property that:

- (i) Belongs to others, for which you are liable;
- (ii) Is cosigned to you; or
- (iii) For which you have made an advance payment.

This also includes similar property while it is on a dock, wharf, pier, bulkhead, platform, depot or station, but only if the property is in the custody of a common carrier or in transit.

(2) At your option, this Extension also applies to:

- (a) Expenses you necessarily incur in order to inspect, repackage and reship goods damaged by Covered Causes of Loss;
- (b) Covered property you have sold to others under F.O.B. point of origin, or other terms where your liability for the property had ended before it arrives at its destination.

This Extension of coverage only applies if the customer cosignee:

- (i) Has not provided you with instruction regarding coverage; or
- (ii) Does not have insurance to cover the property.

(c) Any shipment that you load or unload within 500 feet of a motor vehicle, railroad car or aircraft.

(3) Under this Extension, we will not pay for:

- (a) Property that is shipped by mail;
- (b) Import shipments until the earlier of the following:
 - (i) The property is unloaded from the transporting vessel or vehicle; or
 - (ii) The ocean marine, or other insurance that covers the property, expires.
- (c) Export shipments until the earlier of the following:
 - (i) The property is loaded onto the transporting vessel or vehicle; or
 - (ii) The ocean marine, or other insurance that covers the property begins.
- (d) "Money", bullion and similar items;
- (e) "Securities";
- (f) Accounts, bills, deeds or an evidence of debt;
- (g) Shipments that have been returned by the receiver.

Except this exclusion does not apply to:

- (i) Ongoing shipments which have been rejected by the cosignee or are not deliverable, while in due course of transit, being returned to you or up to 10 days after delivery or attempted delivery awaiting return shipment to you; or
- (ii) Property in the care, custody or control of your salespersons.

(4) The following Causes of Loss – Special Form Exclusions do not apply to this Extension:

- (a) Exclusion 1.b. (Earth Movement)
- (b) Exclusion 1.g. (Water)

- (5)** The following Additional Exclusions apply to this Extension, regardless of other causes or events that contribute to or aggravate the loss, whether such causes or events act to produce the loss before, at the same time as, or after the excluded Cause of Loss.

We will not pay for loss or damage that results from:

- (a)** A dishonest or illegal act, alone or in collusion with another, by:

- (i)** You;
- (ii)** Others who have an interest in the property;
- (iii)** Others to whom you entrust property; or
- (iv)** The employees or agents of **(i)**, **(ii)** or **(iii)**, whether or not they are at work.

- (b)** Swindling, trick, fraud or false pretense.

Except this exclusion does not apply to loss or damage caused by your good faith acceptance of false bills of lading or shipping receipts;

- (c)** The acceptance of:

- (i)** Counterfeit "money" or fraudulent post office express or money orders; or
- (ii)** Checks or promissory notes that are not paid upon presentation;

- (d)** Mysterious disappearance;

- (e)** Any cause when the only proof that a loss occurred is an inventory shortage;

- (f)** Corrosion or rust;

- (g)** The following:

- (i)** Breakage of glass, glassware, fine arts or similar fragile items;
- (ii)** Marring or scratching;
- (iii)** Chipping, denting or bending;
- (iv)** Leakage, evaporation or shrinkage;
- (v)** Mold or rot; or
- (vi)** By being soured, scented, discolored or changed in flavor.

We do cover these losses if they are caused by fire, lightning, windstorm, hail, earthquake, flood, explosion, smoke, aircraft, spacecraft, self-propelled missiles, including objects that fall from these items, vehicles, including an accident to a transporting vehicle, strike, riot, civil commotion, vandalism, theft, sprinkler leakage or the collapse of buildings.

- (h)** Mechanical breakdown or failure unless a fire or explosion results, and then we do cover loss caused by the fire or explosion;

- (i)** Improper packing, stowage or rough handling.

- (6)** The following Additional Condition applies to this Extension:

If we pay for a loss, we may require that you assign your right of recovery to us. We will not pay for a loss if you impair this right of recovery. You may waive your right of recovery against a common carrier, but only to the extent of the bill of lading that carrier uses.

- (7)** The most we will pay under this Extension is \$25,000 for all loss or damage to property in any one conveyance.

Our payment for loss of or damage to personal property of others will only be for the account of the owner of the property.

q. Rental Reimbursement

In the event of a loss by a covered peril to covered property that you own, we will reimburse you for your expense to rent similar equipment while your equipment is inoperable.

The most we will reimburse you is \$10,000 for all reimbursement expenses.

We will continue to reimburse you for the rental of the equipment after the expiration date of this coverage, provided the loss occurred before the expiration date.

We will not reimburse you:

- (1) For the rental of equipment until after 72 hours have passed since the covered property was rendered inoperable. We will only reimburse you for the rental expense that you actually incur after 72 hours have passed;
- (2) If you can continue or resume your operations with similar equipment that is available to you at no additional expense to you; or
- (3) For the rental expense of any equipment unless you make every reasonable effort to repair, replace, or rebuild the inoperable equipment after the loss by a covered peril occurs.

The deductible amount indicated on the Declarations does not apply to a loss covered under this Additional Coverage.

Each of these Extensions is additional insurance. The Additional Condition, Coinsurance does not apply to these Extensions.

4. If the Business Income Coverage Form (and Extra Expense) coverage is selected and for which a limit appears in the Declarations, the following Business Income coverages are added.

a. Amended Perimeter Extension

All references to "within 100 feet of the described premises" in **Section A. – Coverage** of the Business Income Coverage Form (With or Without Extra Expense) are amended to read "within 1,000 feet of the described premises".

b. Business Income from Dependent Properties

If a Limit of Insurance is shown for Business Income in the Declarations, we will pay the actual loss of Business Income you sustain due to necessary suspension of your "operations" during the "period of restoration". The suspension must be caused by the direct physical loss or damage at the premises of a "Contingent Business Property", caused by or resulting from a Covered Cause of Loss.

"Contingent Business Property" means property operated by others you depend on to:

- (1) Deliver materials or services (other than water, communications or power supply) to you, or to others for your account (Contributing locations);
- (2) Accept your products or services (Recipient locations);
- (3) Manufacture products for delivery to your customers under contract of sale (Manufacturing locations);
- (4) Attract customers to your business (Leader locations).

"Operations" means your business activities occurring at the described premises.

"Period of Restoration" means the period of time that:

- (1) Begins with the date of physical loss or damage caused by or resulting from any Covered Cause of Loss at the described premises; and
- (2) Ends with the date the property at the described premises should be repaired, rebuilt or replaced with reasonable speed and similar quality.

"Period of Restoration" does not include any increased period required due to the enforcement of any ordinance or law that:

- (1) Regulates the construction, use or repair, or requires the tearing down of any property; or

- (2) Requires any insured or others to test for, monitor, clean up, contain, treat, detoxify or neutralize, or in any way respond to or assess the effects of **"pollutants"**.

The expiration of this policy will not cut short the **"period of restoration"**.

The most we will pay under this Additional Coverage is \$10,000 in any one occurrence.

c. Business Income - Civil Authority

We will pay the actual loss of Business Income you sustain and necessary Extra Expense caused by action of civil authority that prohibits access to any premises described in the Declarations due to direct physical loss or damage to property other than at such described premises, caused by or resulting from a **Covered Cause of Loss**. The limit for this coverage is included within the BI limit shown in the Declarations for the described premises.

d. Business Income - Ordinance or Law - Increased Period of Restoration

If a Covered Cause of Loss occurs to property at the premises described in the Declarations, Business Income coverage is extended to include the amount of actual and necessary loss you sustain during the increased period of suspension of **"operations"** caused by or resulting from the enforcement of an ordinance or law that:

- (1) Regulates the construction or repair of any property; and
- (2) Is in force at the time of loss.

However, coverage is not extended to include any loss caused by or resulting from the enforcement of any ordinance or law which requires the insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of **"pollutants"** or asbestos, whether or not such asbestos is deemed to be a **"pollutant"**.

The most we will pay for this Coverage Extension is \$10,000 at the described premises.

e. EDP "Media" Extra Expense and Business Income

We will pay your necessary **"extra expense"** to continue normal operations following loss or damage to your electronic data processing **"media"** from a covered cause of loss.

We will also pay for your actual **"business income"** if you must close all or part of your business due to loss or damage to your electronic data processing **"media"** from a covered cause of loss.

The most we will pay under this Extension is \$10,000 any one occurrence.

4. INSURANCE UNDER TWO OR MORE COVERAGES

The following is added to paragraph C. **Insurance Under Two or More Coverages** of the **Commercial Property Conditions**:

When a coverage provided by this endorsement is written under a separate coverage form, the limit shown in this schedule is deleted and replaced by the limit and coverage provided by the respective coverage form.

5. LIMITS OF INSURANCE

Regardless of the number the buildings at a location covered by this endorsement, the most we will pay under this Coverage Extension Endorsement in any one occurrence is the applicable Limits of Insurance shown in the Schedule on page 1 of this endorsement.

Payments under Ordinance or Law Coverage will not increase the applicable limit of insurance, but if the sum of the physical loss or damage, together with loss to which Ordinance or Law Coverage applies, exceeds the limit(s) of insurance, we will pay up to an additional \$25,000 for each location for any one occurrence.

6. DEDUCTIBLES

The Deductible described in Section D. of the **Building and Personal Property Coverage Form** is deleted and replaced by the following:

We will not pay for loss or damage in any one occurrence until the amount of loss or damage exceeds \$250. We will then pay the amount of loss or damage in excess of \$250 up to the applicable Limit of Insurance for the following coverage additions and extensions:

- 3. a. Newly Acquired or Constructed Property
- 3. b. Personal Effects and Property of Others
- 3. c. Valuable Papers and Records
- 3. f. Property Off-Premises
- 3. g. Outdoor Property
- 3. h. Money and Securities
- 3. j. Back-Up of Sewers and Drains
- 3. m. EDP and Telephone Systems, Data and Media - Direct Damage
- 3. o. Spoilage Coverage
- 3. p. Property in Transit

No deductible provisions apply to the following extensions:

- 2. a. Ordinance or Law
- 2. b. Brands and Labels
- 3. e. Accounts Receivable
- 3. i. Arson Reward
- 3. k. Recharging of Fire Extinguishers
- 3. l. Inventory or Appraisal Cost
- 4. e. EDP Media - Extra Expense and Business Income
- 3. n. Fire Department Service Charge
- 3. q. Rental Reimbursement

7. DEFINITIONS

The following Additional Definitions apply to this endorsement only:

- a. **"Banking Premises"** means the interior of that portion of any building occupied by a banking institution or similar safe depository.
- b. **"Business Income"** means the:
 - 1) Net income (Net Profit or Loss before income taxes) that would have been earned had no loss occurred; and
 - 2) Continuing normal operating expenses incurred, including payroll.
- c. **"Data"** is a fact, concept or instruction that is converted into a form that can be used in a data processing operation. It includes computer programs, but not "media".
- d. **"EDP and Telephone Systems"** means:
 - 1) Your programmable electronic equipment that is used to store, retrieve and process converted "data". It includes their component parts, related peripheral equipment and dedicated air conditioning, fire suppression equipment and electrical equipment used exclusively in your data processing operations;
 - 2) Associated peripheral equipment that provides communication, including input and output functions such as printing or auxiliary functions such as "converted data" transmission;
 - 3) Electronic systems consisting of separately identifiable and removable component memory or control assemblies that are attached to and control production machinery, but not the production machinery itself;
 - 4) Telephone systems and their component parts, including facsimile machines.

- e. **"Extra Expense"** means necessary expenses you incur to avoid or minimize the suspension of business that you would not have incurred if there had been no direct physical loss or damage caused by or resulting from a Covered Cause of Loss.
- f. **"Fine Arts"** means paintings, etchings, pictures, tapestries, art glass windows, valuable rugs, statuary, marbles, bronzes, antique furniture, rare books, antique silver, manuscripts, porcelains, rare glass, bric-a-brac, and similar property of rarity, historical value or artistic merit.
- g. **"Hardware"** means equipment and components which accept information, process and analyze that information according to programmed instructions, and then produces or retains the results of those processes.
- h. **"Loss"** as used in the Valuable Papers and Records and Accounts Receivable Extensions means accidental loss or damage.
- i. **"Media"** is the material on which "data" is recorded, such as magnetic tapes, disk packs, drums, paper tapes, cards and programs. This includes the "data" stored on the "media".
- j. **"Messenger"** means you, any of your partners or any employee while having care and custody of the property outside the "premises".
- k. **"Money"** means:
 - 1) Currency, coins and bank notes whether or not in current use; and
 - 2) Travelers checks, register checks and money orders held for sale to the public.
- l. **"Occurrence"** as used in the "Money" and "Securities" extension means an act or series of related acts involving one or more persons; or an act or event, or a series of related acts or events not involving any person.
- m. **"Premises"** as used in the Money and Securities Extension means the interior of that portion of any building you occupy in conducting your business.
- n. **"Premises"** as used in the Valuable Papers and Records and Accounts Receivable Extensions means that interior of the building at the address shown in the Declarations that you occupy for your business.
- o. **"Securities"** means negotiable and non-negotiable instruments or contracts representing either "money" or other property and includes:
 - 1) Tokens, tickets, revenue and other stamps whether or not in current use; and
 - 2) Evidences of debt issued in connection with credit or charge cards, which are not of your own issue but does not include "money".
- p. **"Valuable Papers and Records"** means the following type of property that is your property or property of others in your care, custody or control:

Inscribed, printed or written:

 - 1) Documents;
 - 2) Manuscripts; and
 - 3) Records, including abstracts, books, deeds, drawings, films, maps or mortgages.

But **"Valuable Papers and Records"** does not mean:

 - i) "Money" or "Securities";
 - ii) Converted "data";
 - iii) Programs or instructions used in your data processing operations, including the materials on which the data is recorded.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

WASHINGTON CHANGES - LIMITATIONS ON FUNGUS, WET ROT, DRY ROT AND BACTERIA

This endorsement modifies insurance provided under the following:

**CAUSES OF LOSS - BASIC FORM
CAUSES OF LOSS - BROAD FORM
CAUSES OF LOSS - SPECIAL FORM**

- A. The following exclusion is added. With respect to the loss or damage addressed therein, this exclusion supersedes any other exclusion which addresses fungus.

"Fungus", Wet Rot, Dry Rot And Bacteria

We will not pay for loss or damage caused directly or indirectly by the presence, growth, proliferation, spread or any activity of "fungus", wet or dry rot or bacteria.

But if "fungus", wet or dry rot or bacteria results in:

1. A "specified cause of loss", we will pay for the loss or damage caused by that "specified cause of loss", if the Causes of Loss - Special Form applies; or
2. A Covered Cause of Loss, we will pay for the loss or damage caused by that Covered Cause of Loss, if the Causes of Loss - Basic Form, Causes of Loss - Broad Form or Standard Property Policy applies.

This exclusion does not apply:

1. When "fungus", wet or dry rot or bacteria results from a Covered Cause of Loss; or
2. To the extent that coverage is provided in the Additional Coverage - Limited Coverage For "Fungus", Wet Rot, Dry Rot And Bacteria with respect to loss or damage by a cause of loss other than fire or lightning.

- B. The following exclusion replaces any exclusion pertaining to continuous or repeated seepage or leakage of water; and supersedes any other exclusion, preclusion of coverage or exception to an exclusion pertaining to leakage or discharge of water or steam from a system or appliance.

We will not pay for loss or damage caused by or resulting from continuous or repeated seepage or leakage of water, or the presence or condensation of humidity, moisture or vapor, that occurs over a period of 14 days or more.

- C. The following is added:

**Additional Coverage - Limited Coverage For
"Fungus", Wet Rot, Dry Rot And Bacteria**

1. The coverage described in C.2. and C.6. only applies when the "fungus", wet or dry rot or bacteria is the result of one or more of the following causes that occurs during the policy period and only if all reasonable means were used to save and preserve the property from further damage at the time of and after that occurrence.
 - a. A "specified cause of loss" other than fire or lightning, if the Causes of Loss - Special Form applies; or
 - b. A Covered Cause of Loss other than fire or lightning, if the Causes of Loss - Basic Form, Causes of Loss - Broad Form or Standard Property Policy applies.
2. We will pay for loss or damage by "fungus", wet or dry rot or bacteria. As used in this Limited Coverage, the term loss or damage means:
 - a. Direct physical loss or damage to Covered Property caused by "fungus", wet or dry rot or bacteria, including the cost of removal of the "fungus", wet or dry rot or bacteria;
 - b. The cost to tear out and replace any part of the building or other property as needed to gain access to the "fungus", wet or dry rot or bacteria; and

- c. The cost of testing performed after removal, repair, replacement or restoration of the damaged property is completed, provided there is a reason to believe that "fungus", wet or dry rot or bacteria are present.
3. The coverage described under C.2. of this Limited Coverage is limited to \$15,000. Regardless of the number of claims, this limit is the most we will pay for the total of all loss or damage arising out of all occurrences described in C.1., which take place in a 12-month period (starting with the beginning of the present annual policy period). With respect to a particular occurrence of loss which results in "fungus", wet or dry rot or bacteria, we will not pay more than a total of \$15,000 even if the "fungus", wet or dry rot or bacteria continues to be present or active, or recurs, in a later policy period.
4. The coverage provided under this Limited Coverage does not increase the applicable Limit of Insurance on any Covered Property. If a particular occurrence results in loss or damage by "fungus", wet or dry rot or bacteria, and other loss or damage, we will not pay more, for the total of all loss or damage, than the applicable Limit of Insurance on the affected Covered Property.
- If there is covered loss or damage to Covered Property, not caused by "fungus", wet or dry rot or bacteria, loss payment will not be limited by the terms of this Limited Coverage, except to the extent that "fungus", wet or dry rot or bacteria causes an increase in the loss. Any such increase in the loss will be subject to the terms of this Limited Coverage.
5. The terms of this Limited Coverage do not increase or reduce the coverage provided under the Additional Coverage - Collapse, if such Additional Coverage applies to your policy.
6. The following, 6.a. or 6.b., applies only if Business Income and/or Extra Expense coverage applies to the described premises and only if the "suspension" of "operations" satisfies all terms and conditions of the applicable Business Income and/or Extra Expense coverage form.

- a. If the loss which resulted in "fungus", wet or dry rot or bacteria does not in itself necessitate a "suspension" of "operations", but such "suspension" is necessary due to loss or damage to property caused by "fungus", wet or dry rot or bacteria, then our payment under Business Income and/or Extra Expense is limited to the amount of loss and/or expense sustained in a period of not more than 30 days. The days need not be consecutive.
- b. If a covered "suspension" of "operations" was caused by loss or damage other than "fungus", wet or dry rot or bacteria but remediation of "fungus", wet or dry rot or bacteria prolongs the "period of restoration", we will pay for loss and/or expense sustained during the delay (regardless of when such a delay occurs during the "period of restoration"), but such coverage is limited to 30 days. The days need not be consecutive.
- D. If the policy is endorsed to provide Ordinance Or Law Coverage with respect to property damage, Business Income or Extra Expense, we will not pay under the Ordinance Or Law Coverage for:
1. Loss or expense sustained due to the enforcement of any ordinance or law which requires the demolition, repair, replacement, reconstruction, remodeling or remediation of property due to the presence, growth, proliferation, spread or any activity of "fungus", wet or dry rot or bacteria; or
 2. The costs associated with the enforcement of any ordinance or law which requires any insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of "fungus", wet or dry rot or bacteria.
- E. The following definition is added:
- "Fungus" means any type or form of fungus, including mold or mildew, and any mycotoxins, spores, scents or by-products produced or released by fungi.

EQUIPMENT BREAKDOWN ENHANCEMENT ENDORSEMENT

This endorsement changes coverage provided by the following:

BUILDING AND PERSONAL PROPERTY COVERAGE FORM

**CAUSES OF LOSS – BASIC FORM; OR
BROAD FORM; OR
SPECIAL FORM**

Read the entire endorsement carefully to determine rights, duties and what is and is not covered.

BUILDING AND PERSONAL PROPERTY COVERAGE FORM

A. Coverage

4. Additional Coverages

The following wording is added:

d. Pollutant Clean Up and Removal

We will pay for the pollutant clean up and removal for loss resulting from an **Equipment Breakdown**. The most we will pay for the pollutant clean up and removal is \$25,000 unless a higher limit is provided by an endorsement to the property form for which this endorsement is attached. In that case, whichever limit is greater will apply.

F. Additional Conditions

The following **Additional Conditions** are added:

3. Suspension

Whenever Covered Property is found to be in, or exposed to, a dangerous condition, any of our representatives may immediately suspend the insurance against loss to that Covered Property for the perils covered by this endorsement. Coverage can be suspended and possibly reinstated by delivering or mailing a written notice of suspension / coverage reinstatement to:

- (a) Your last known address; or
- (b) The address where the property is located.

If we suspend your insurance, you will get a pro rata refund of premium. But the suspension will be effective even if we have not yet made or offered a refund.

CAUSES OF LOSS FORMS

B. Exclusions

Exclusion 1.e., Utility Services, is replaced by the following:

1. e. Utility Services

Loss resulting from **Equipment Breakdown** to power or other utility service supplied to the described premises, however caused, if the failure occurs beyond 1,000 feet from the described premises. Failure includes lack of sufficient capacity and reduction in supply.

But if failure of power or other utility service results in a Covered Cause of Loss, we will pay for the loss or damage caused by that Covered Cause of Loss.

This exclusion does not apply to the Business Income coverage or to Extra Expense coverage. Instead the Special Exclusion in paragraph **B.4.a.(1)** applies to these coverages.

The most we will pay for loss or damage under this coverage is \$25,000 unless a higher limit is provided by an endorsement to the property form for which this endorsement is attached. In that case, whichever limit is greater will apply.

If the **Causes of Loss – Special Form** is attached, the following **Exclusions** are removed:

2. a. Artificially generated electrical current, including electric arcing, that disturbs electrical devices, appliances or wires.
But if artificially generated electrical current results in fire, we will pay for the loss or damage caused by that fire.
2. d. (6) Mechanical breakdown, including rupture or bursting caused by centrifugal force.
But if mechanical breakdown results in elevator collision, we will pay for the loss or damage caused by that elevator collision.
2. e. Explosion of steam boilers, steam pipes, steam engines or steam turbines owned or leased by you, or operated under your control. But if explosion of steam boilers, steam pipes, steam engines or steam turbines results in fire or combustion explosion, we will pay for the loss or damage caused by that fire or combustion explosion. We will also pay for loss or damage caused by or resulting from the explosion of gases or fuel within the furnace of any fired vessel or within the flues or passages through which the gases of combustion pass.

If the **Causes of Loss – Basic Form** is attached, the following **Exclusions** are removed: 2.a., 2.d. and 2.e.

If the **Causes of Loss – Broad Form** is attached, the following **Exclusions** are removed: 2.a., 2.b. and 2.c.

The following, 4. **Special Exclusions, a. (1).**, has been changed to:

a. Business Income (And Extra Expense) Coverage Form, Business Income (Without Extra Expense) Coverage Form, or Extra Expense Coverage Form

Loss resulting from **Equipment Breakdown**, we will not pay for:

- (1) Any loss caused directly or indirectly by the failure of power or other utility service supplied to the described premises, however caused, if the failure occurs beyond 1,000 feet of the described premise. Failure includes lack of sufficient capacity and reduction in supply.

But if the failure of power or other utility service results in a Covered Cause of Loss, we will pay for the loss resulting from that Covered Cause of Loss.

The most we will pay for loss or damage under this coverage is \$25,000 unless a higher limit is provided by an endorsement to the property form for which this endorsement is attached. In that case, whichever limit is greater will apply.

If the **Causes of Loss – Special Form** is attached, the following **Limitations** are removed:

C. Limitations

1. a. Steam boilers, steam pipes, steam engines, or steam turbines caused by or resulting from any condition or event inside such equipment.
But we will pay for loss of or damage to such equipment caused by or resulting from an explosion of gases or fuel within the furnace of any fired vessel or within the flues or passages through which the gases of combustion pass.
1. b. Hot water boilers or other water heating equipment caused by or resulting from any condition or event inside such boilers or equipment, other than any explosion.

D. DEDUCTIBLE

1. Building, Personal Property and Time Element Coverages

Unless otherwise shown in the Equipment Breakdown Coverage Schedule, the Deductibles that apply to Buildings, Personal Property, Business Interruption, and Extra Expense coverages also apply to coverage provided under this endorsement.

2. Application of Deductibles

a. Dollar Deductibles

We will not pay for loss or damage resulting from any one Accident until the amount of loss or damage exceeds the applicable Deductible shown in the Schedule. We will then pay the amount of loss or damage in excess of the applicable Deductible, up to the applicable Limit of Insurance, after any deduction required by the Coinsurance condition or the Agreed Value Optional Coverage of the policy.

b. Multiple of Average Daily Value (ADV)

If a deductible is expressed as a number times ADV, that amount will be calculated as follows:

The ADV (Average Daily Value) will be the Business Income (as defined in any Business Income coverage form that is part of this policy) that would have been earned had no Accident occurred during the period of interruption of business divided by the number of working days in that period. No reduction shall be made for the Business Income not being earned, or in the number of working days, because of the Accident or any other scheduled or unscheduled shutdowns during the period of interruption. The ADV applies to all locations included in the valuation of the loss.

The number indicated in the Schedule shall be multiplied by the ADV as determined above. The result shall be used as the applicable deductible.

c. Percentage of Loss Deductibles

If a deductible is expressed as a percentage of loss, we will not be liable for the indicated percentage of the gross amount of loss or damage (prior to any applicable deductible or coinsurance) insured under the applicable coverage. If the dollar amount of such percentage is less than the indicated minimum deductible, the minimum deductible will be the applicable deductible.

Additional Coverage Extensions

The following **Additional Coverage Extensions** are added:

Expediting Expenses

We will pay for the expediting expense loss resulting from an **Equipment Breakdown** with respect to your damaged Covered Property. We will pay the reasonable extra cost to:

- (1) Make temporary repairs;
- (2) Expedite permanent repairs; and
- (3) Expedite permanent replacement

Reasonable extra cost shall mean "the extra cost of temporary repair and of expediting the repair of such damaged equipment of the insured, including overtime and the extra cost of express or other rapid means of transportation" which will be a part of and not an addition to the limit per loss.

Refrigerant Contamination

Contamination by a refrigerant resulting from **Equipment Breakdown** with respect to your damaged Covered Property to refrigerating, cooling or humidity control equipment at the described premises.

The most we will pay for loss or damage under this coverage is \$25,000 unless a higher limit is provided by Endorsement. In that case, whichever limit is greater will apply.

Spoilage Coverage

We will pay for loss of perishable goods due to spoilage resulting from lack of power, light, heat, steam or refrigeration caused by **Equipment Breakdown** to types of property covered by this policy, that are:

- (1) located on or within 1,000 feet of your described premises,
- (2) owned by the building owner at your described premises, or owned by a public utility; and
- (3) used to supply telephone, electricity, air conditioning, heating, gas, water or steam to your described premises.

The most we will pay for loss or damage under this coverage is \$25,000 unless a higher limit is provided by Endorsement. In that case, whichever limit is greater will apply.

Hazardous Substances

We will pay for the additional cost, up to \$25,000, to repair or replace Covered Property because of contamination by a hazardous substance as a result of an **Equipment Breakdown**. This includes the additional expenses to clean-up or dispose of such property.

Hazardous substance means any substance other than ammonia that has been declared to be hazardous by a governmental agency.

Additional costs mean those beyond what would have been required had no hazardous substance been involved.

Drying Out Coverage

If covered electrical equipment requires drying out as a result of a flood, we will pay for the direct expense of such drying out.

Computer Equipment

We will pay for direct physical damage to Computer equipment that is damaged by an **Equipment Breakdown**. We will also pay for actual loss of Business Income you sustain and necessary Extra Expense you incur caused by such damage.

CFC Refrigerants

We will pay the additional cost to repair or replace Covered Property because of the use or presence of a refrigerant containing CFC (chlorinated fluorocarbon) substances as a result of an **Equipment Breakdown**. This means the additional expense to do the least expensive of the following:

- (1) Repair the damaged property and replace any lost CFC refrigerant;
- (2) Repair the damaged property, retro-fit the system to accept a non-CFC refrigerant and charge the system with a non-CFC refrigerant; or
- (3) Replace the system with one using a non-CFC refrigerant.

Additional costs mean those beyond what would have been required had no CFC refrigerant been involved.

If the **Causes of Loss – Basic or Broad** is attached, the following **A. Covered Causes Of Loss** is added:

If the **Causes of Loss – Special Form** is attached, the following **G. Definition** is added:

A. Covered Cause Of Loss

Equipment Breakdown, meaning direct damage to Covered Property as follows:

Equipment Breakdown as used herein means:

G. Definitions

"Specified Causes of Loss" also means **Equipment Breakdown**.

Equipment Breakdown as used herein means:

a. Physical loss or damage both originating within:

- 1) Boilers, fired or unfired pressure vessels, vacuum vessels, and pressure piping, all normally subject to vacuum or internal pressure other than static pressure of contents, excluding:
 - a) waste disposal piping;
 - b) any piping forming part of a fire protective system;
 - c) furnaces; and
 - d) any water piping other than:
 - (1) boiler feed water piping between the feed pump and the boiler;
 - (2) boiler condensate return piping; or
 - (3) water piping forming part of a refrigerating or air conditioning system used for cooling, humidifying or space heating purposes

2) All mechanical, electrical, electronic or fiber optic equipment; and

b. Caused by, resulting from, or consisting of:

- (1) Mechanical breakdown; or
- (2) Electrical or electronic breakdown; or
- (3) Rupture, bursting, bulging, implosion, or steam explosion.

However, **Equipment Breakdown** will not mean physical loss or damage caused by or resulting from any of the following.

However if loss or damage not otherwise excluded results, then we will pay for such resulting damage:

- (1) Wear and Tear;
- (2) Rust or other corrosion, decay, deterioration, hidden or latent defect, mold or any other quality in property that causes it to damage or destroy itself;
- (3) Smog;
- (4) Settling, cracking, shrinking or expansion;
- (5) Nestling or infestation, or discharge or release of waste products or secretions, by birds, rodents or other animals.
- (6) Any accident, loss, damage, cost, claim, or expense, whether preventative, remedial, or otherwise, directly or indirectly arising out of or relating to the recognition, interpretation, calculation, comparison, differentiation, sequencing, or processing of data by any computer system including any hardware, programs or software.

C06-15-31-06
PUGET SOUND FREIGHT LINE
06/01/07

COMMERCIAL PROPERTY
LCP 4056 01 06

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**STATE APPLICATION OF TERRORISM ENDORSEMENTS –
TRIA ACCEPTED**

This endorsement modifies insurance provided under the following:

COMMERCIAL PROPERTY COVERAGE PART

If attached to your policy, the below described Terrorism endorsements shall apply as follows:

Limited Exclusion Of Acts Of Terrorism (Other Than Certified Acts of Terrorism); Cap on Losses From Certified Acts of Terrorism; Coverage For Certain Fire Losses – IL 09 54 11 02

This endorsement applies only in Oregon.

Limited Exclusion Of Acts Of Terrorism (Other Than Certified Acts of Terrorism); Cap on Losses From Certified Acts of Terrorism; Coverage For Certain Fire Losses – IL 09 69 11 02

This endorsement applies only in Washington and Idaho.

Limited Exclusion Of Acts Of Terrorism (Other Than Certified Acts of Terrorism); Cap on Losses From Certified Acts of Terrorism – IL 09 59 11 02

This endorsement applies only in Montana.

LENDERS LOSS PAYABLE ENDORSEMENT

S.F. FORM

1. Loss or damage, if any, under this policy shall be paid to the Payee named on the first page of this policy, its successors and assigns, hereinafter referred to as "the Lender," in whatever form or capacity its interests may appear and whether said interest be vested in said Lender in its individual or in its disclosed or undisclosed fiduciary or representative capacity, or otherwise, or vested in a nominee or trustee of said Lender.
2. The insurance under this policy, or any rider or endorsement attached thereto, as to the interest only of the Lender, its successors and assigns, shall not be invalidated nor suspended: (a) by any error, omission, or change respecting the ownership, description, possession, or location of the subject of the insurance or the interest therein, or the title thereto; (b) by the commencement of foreclosure proceedings or the giving of notice of sale of any of the property covered by this policy by virtue of any mortgage or trust deed; (c) by any breach of warranty, act, omission, neglect, or non-compliance with any of the provisions of this policy, including any and all riders now or hereafter attached thereto, by the named insured, the borrower, mortgagor, trustor, vendee, owner, tenant, warehouseman, custodian, occupant, or by the agents of either or any of them or by the happening of any event permitted by them or either of them, or their agents, or which they failed to prevent, whether occurring before or after the attachment of this endorsement, or whether before or after a loss, which under the provisions of this policy of insurance or of any rider or endorsement attached thereto would invalidate or suspend the insurance as to the named insured, excluding herefrom, however, any acts or omissions of the Lender while exercising active control and management of the property.
3. In the event of failure of the insured to pay any premium or additional premium which shall be or become due under the terms of this policy or on account of any change in occupancy or increase in hazard not permitted by this policy, this Company agrees to give written notice to the Lender of such non-payment of premium after sixty (60) days from and within one hundred and twenty (120) days after due date of such premium and it is a condition of the continuance of the rights of the Lender hereunder that the Lender when so notified in writing by this Company of the failure of the insured to pay such premium shall pay or cause to be paid the premium due within ten (10) days following receipt of the Company's demand in writing therefor. If the Lender shall decline to pay said premium or additional premium, the rights of the Lender under this Lender's Loss Payable Endorsement shall not be terminated before ten (10) days after receipt of said written notice by the Lender.
4. Whenever this Company shall pay to the Lender any sum for loss or damage under this policy and shall claim that as to the insured no liability therefor exists, this Company, at its option, may pay to the Lender the whole principal sum and interest and other indebtedness due or to become due from the insured, whether secured or unsecured, (with refund of all interest not accrued), and this Company, to the extent of such payment, shall thereupon receive a full assignment and transfer, without recourse, of the debt and all rights and securities held as collateral thereto.
5. If there be any other insurance upon the within described property, this Company shall be liable under this policy as to the Lender for the proportion of such loss or damage that the sum hereby insured bears to the entire insurance of similar character on said property under policies held by, payable to and expressly consented to by the Lender. Any Contribution Clause included in any Fallen Building Clause Waiver or any Extended Coverage Endorsement attached to this contract of insurance is hereby nullified, and also any Contribution Clause in any other endorsement or rider attached to this contract of insurance is hereby nullified except Contribution Clauses for the compliance with which the insured has received reduction in the rate charged or has received extension of the coverage to include hazards other than fire and compliance with such Contribution Clause is made a part of the consideration for insuring such other hazards. The Lender upon the payment to it of the full amount of its claim, will subrogate this Company (pro rata with all other insurers contributing to said payment) to all of the Lender's rights of contribution under said other insurance.
6. This Company reserves the right to cancel this policy at any time, as provided by its terms, but in such case this policy shall continue in force for the benefit of the Lender for ten (10) days after written notice of such cancellation is received by the Lender and shall then cease.

S.F. FORM (Cont'd)

7. This policy shall remain in full force and effect as to the interest of the Lender for a period of ten (10) days after its expiration unless an acceptable policy in renewal thereof with loss thereunder payable to the Lender in accordance with the terms of this Lender's Loss Payable Endorsement, shall have been issued by some insurance company and accepted by the Lender.
8. Should legal title to and beneficial ownership of any of the property covered under this policy become vested in the Lender or its agents, insurance under this policy shall continue for the term thereof for the benefit of the Lender but, in such event, any privileges granted by this Lender's Loss Payable Endorsement which are not also granted the insured under the terms and conditions of this policy and/or under other riders or endorsements attached thereto shall not apply to the insurance hereunder as respects such property.
9. All notices herein provided to be given by the Company to the Lender in connection with this policy and this Lender's Loss Payable Endorsement shall be mailed to or delivered to the Lender at its office or branch described on the first page of the policy.

Approved:

Board of Fire Underwriters of the Pacific,
California Bankers' Association,
Committee on Insurance.

BUILDING AND PERSONAL PROPERTY COVERAGE FORM

Various provisions in this policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and is not covered.

Throughout this policy the words "you" and "your" refer to the Named Insured shown in the Declarations. The words "we", "us" and "our" refer to the Company providing this insurance.

Other words and phrases that appear in quotation marks have special meaning. Refer to Section H. - **Definitions**.

A. Coverage

We will pay for direct physical loss of or damage to Covered Property at the premises described in the Declarations caused by or resulting from any Covered Cause of Loss.

1. Covered Property

Covered Property, as used in this Coverage Part, means the type of property described in this Section, A.1., and limited in A.2., Property Not Covered, if a Limit of Insurance is shown in the Declarations for that type of property.

a. Building, meaning the building or structure described in the Declarations, including:

- (1) Completed additions;
- (2) Fixtures, including outdoor fixtures;
- (3) Permanently installed:
 - (a) Machinery and
 - (b) Equipment;
- (4) Personal property owned by you that is used to maintain or service the building or structure or its premises, including:
 - (a) Fire extinguishing equipment;
 - (b) Outdoor furniture;
 - (c) Floor coverings; and
 - (d) Appliances used for refrigerating, ventilating, cooking, dishwashing or laundering;
- (5) If not covered by other insurance:
 - (a) Additions under construction, alterations and repairs to the building or structure;

- (b) Materials, equipment, supplies and temporary structures, on or within 100 feet of the described premises, used for making additions, alterations or repairs to the building or structure.

b. Your Business Personal Property located in or on the building described in the Declarations or in the open (or in a vehicle) within 100 feet of the described premises, consisting of the following unless otherwise specified in the Declarations or on the Your Business Personal Property - Separation of Coverage form:

- (1) Furniture and fixtures;
- (2) Machinery and equipment;
- (3) "Stock";
- (4) All other personal property owned by you and used in your business;
- (5) Labor, materials or services furnished or arranged by you on personal property of others;
- (6) Your use interest as tenant in improvements and betterments. Improvements and betterments are fixtures, alterations, installations or additions:
 - (a) Made a part of the building or structure you occupy but do not own; and
 - (b) You acquired or made at your expense but cannot legally remove;
- (7) Leased personal property for which you have a contractual responsibility to insure, unless otherwise provided for under Personal Property of Others.



c. Personal Property Of Others that is:

- (1) In your care, custody or control; and
- (2) Located in or on the building described in the Declarations or in the open (or in a vehicle) within 100 feet of the described premises.

However, our payment for loss of or damage to personal property of others will only be for the account of the owner of the property.

2. Property Not Covered

Covered Property does not include:

- a. Accounts, bills, currency, food stamps or other evidences of debt, money, notes or securities. Lottery tickets held for sale are not securities;
- b. Animals, unless owned by others and boarded by you, or if owned by you, only as "stock" while inside of buildings;
- c. Automobiles held for sale;
- d. Bridges, roadways, walks, patios or other paved surfaces;
- e. Contraband, or property in the course of illegal transportation or trade;
- f. The cost of excavations, grading, backfilling or filling;
- g. Foundations of buildings, structures, machinery or boilers if their foundations are below:
 - (1) The lowest basement floor; or
 - (2) The surface of the ground, if there is no basement;
- h. Land (including land on which the property is located), water, growing crops or lawns;
- i. Personal property while airborne or waterborne;
- j. Bulkheads, pilings, piers, wharves or docks;
- k. Property that is covered under another coverage form of this or any other policy in which it is more specifically described, except for the excess of the amount due (whether you can collect on it or not) from that other insurance;
- l. Retaining walls that are not part of a building;
- m. Underground pipes, flues or drains;
- n. Electronic data, except as provided under Additional Coverages – Electronic Data. Electronic data means information, facts or computer programs stored as or on, created or used on, or transmitted to or from computer software (including systems and applications software), on hard or floppy disks, CD-ROMs, tapes, drives, cells, data processing devices or any other repositories of computer software which are used with electronically controlled equipment. The term computer programs, referred to in the foregoing description of electronic data, means a set of related electronic instructions which direct the operations and functions of a computer or device connected to it, which enable the computer or device to receive, process, store, retrieve or send data. This Paragraph n., does not apply to your "stock" of prepackaged software.
- o. The cost to replace or restore the information on valuable papers and records, including those which exist as electronic data. Valuable papers and records include but are not limited to proprietary information, books of account, deeds, manuscripts, abstracts, drawings and card index systems. Refer to the Coverage Extension for Valuable Papers And Records (Other Than Electronic Data) for limited coverage for valuable papers and records other than those which exist as electronic data.
- p. Vehicles or self-propelled machines (including aircraft or watercraft) that:
 - (1) Are licensed for use on public roads; or
 - (2) Are operated principally away from the described premises.This paragraph does not apply to:
 - (a) Vehicles or self-propelled machines or autos you manufacture, process or warehouse;
 - (b) Vehicles or self-propelled machines, other than autos, you hold for sale;
 - (c) Rowboats or canoes out of water at the described premises; or
 - (d) Trailers, but only to the extent provided for in the Coverage Extension for Non-Owned Detached Trailers.



q. The following property while outside of buildings:

- (1) Grain, hay, straw or other crops;
- (2) Fences, radio or television antennas (including satellite dishes) and their lead-in wiring, masts or towers, signs (other than signs attached to buildings), trees, shrubs or plants (other than "stock" of trees, shrubs or plants), all except as provided in the Coverage Extensions.

3. Covered Causes Of Loss

See applicable Causes of Loss Form as shown in the Declarations.

4. Additional Coverages

a. Debris Removal

(1) Subject to Paragraphs (3) and (4), we will pay your expense to remove debris of Covered Property caused by or resulting from a Covered Cause of Loss that occurs during the policy period. The expenses will be paid only if they are reported to us in writing within 180 days of the date of direct physical loss or damage.

(2) Debris Removal does not apply to costs to:

- (a) Extract "pollutants" from land or water; or
- (b) Remove, restore or replace polluted land or water.

(3) Subject to the exceptions in Paragraph (4), the following provisions apply:

(a) The most we will pay for the total of direct physical loss or damage plus debris removal expense is the Limit of Insurance applicable to the Covered Property that has sustained loss or damage.

(b) Subject to (a) above, the amount we will pay for debris removal expense is limited to 25% of the sum of the deductible plus the amount that we pay for direct physical loss or damage to the Covered Property that has sustained loss or damage.

(4) We will pay up to an additional \$10,000 for debris removal expense, for each location, in any one occurrence of physical loss or damage to Covered Property, if one or both of the following circumstances apply:

(a) The total of the actual debris removal expense plus the amount we pay for direct physical loss or damage exceeds the Limit of Insurance on the Covered Property that has sustained loss or damage.

(b) The actual debris removal expense exceeds 25% of the sum of the deductible plus the amount that we pay for direct physical loss or damage to the Covered Property that has sustained loss or damage.

Therefore, if (4)(a) and/or (4)(b) apply, our total payment for direct physical loss or damage and debris removal expense may reach but will never exceed the Limit of Insurance on the Covered Property that has sustained loss or damage, plus \$10,000.

(5) Examples

The following examples assume that there is no coinsurance penalty.

Example #1

Limit of Insurance	\$ 90,000
Amount of Deductible	\$ 500
Amount of Loss	\$ 50,000
Amount of Loss Payable	\$ 49,500
	(\$50,000 - \$500)
Debris Removal Expense	\$ 10,000
Debris Removal Expense Payable	\$ 10,000
	(\$10,000 is 20% of \$50,000)

The debris removal expense is less than 25% of the sum of the loss payable plus the deductible. The sum of the loss payable and the debris removal expense (\$49,500 + \$10,000 = \$59,500) is less than the Limit of Insurance. Therefore the full amount of debris removal expense is payable in accordance with the terms of Paragraph (3).



Example #2

Limit of Insurance	\$ 90,000
Amount of Deductible	\$ 500
Amount of Loss	\$ 80,000
Amount of Loss Payable	\$ 79,500
	(\$80,000 - \$500)
Debris Removal Expense	\$ 30,000
Debris Removal Expense Payable	
Basic Amount	\$ 10,500
Additional Amount	\$ 10,000

The basic amount payable for debris removal expense under the terms of Paragraph (3) is calculated as follows: $\$80,000 (\$79,500 + \$500) \times .25 = \$20,000$; capped at \$10,500. The cap applies because the sum of the loss payable (\$79,500) and the basic amount payable for debris removal expense (\$10,500) cannot exceed the Limit of Insurance (\$90,000).

The additional amount payable for debris removal expense is provided in accordance with the terms of Paragraph (4), because the debris removal expense (\$30,000) exceeds 25% of the loss payable plus the deductible (\$30,000 is 37.5% of \$80,000), and because the sum of the loss payable and debris removal expense (\$79,500 + \$30,000 = \$109,500) would exceed the Limit of Insurance (\$90,000). The additional amount of covered debris removal expense is \$10,000, the maximum payable under Paragraph (4). Thus the total payable for debris removal expense in this example is \$20,500; \$9,500 of the debris removal expense is not covered.

b. Preservation Of Property

If it is necessary to move Covered Property from the described premises to preserve it from loss or damage by a Covered Cause of Loss, we will pay for any direct physical loss or damage to that property:

- (1) While it is being moved or while temporarily stored at another location; and
- (2) Only if the loss or damage occurs within 30 days after the property is first moved.

c. Fire Department Service Charge

When the fire department is called to save or protect Covered Property from a Covered Cause of Loss, we will pay up to \$1,000 for your liability for fire department service charges:

- (1) Assumed by contract or agreement prior to loss; or
- (2) Required by local ordinance.

No Deductible applies to this Additional Coverage.

d. Pollutant Clean Up And Removal

We will pay your expense to extract "pollutants" from land or water at the described premises if the discharge, dispersal, seepage, migration, release or escape of the "pollutants" is caused by or results from a Covered Cause of Loss that occurs during the policy period. The expenses will be paid only if they are reported to us in writing within 180 days of the date on which the Covered Cause of Loss occurs.

This Additional Coverage does not apply to costs to test for, monitor or assess the existence, concentration or effects of "pollutants". But we will pay for testing which is performed in the course of extracting the "pollutants" from the land or water.

The most we will pay under this Additional Coverage for each described premises is \$10,000 for the sum of all covered expenses arising out of Covered Causes of Loss occurring during each separate 12 month period of this policy.

e. Increased Cost Of Construction

- (1) This Additional Coverage applies only to buildings to which the Replacement Cost Optional Coverage applies.
- (2) In the event of damage by a Covered Cause of Loss to a building that is Covered Property, we will pay the increased costs incurred to comply with enforcement of an ordinance or law in the course of repair, rebuilding or replacement of damaged parts of that property, subject to the limitations stated in e.(3) through e.(9) of this Additional Coverage.



- (3) The ordinance or law referred to in e.(2) of this Additional Coverage is an ordinance or law that regulates the construction or repair of buildings or establishes zoning or land use requirements at the described premises, and is in force at the time of loss.
- (4) Under this Additional Coverage, we will not pay any costs due to an ordinance or law that:
 - (a) You were required to comply with before the loss, even when the building was undamaged; and
 - (b) You failed to comply with.
- (5) Under this Additional Coverage, we will not pay for:
 - (a) The enforcement of any ordinance or law which requires demolition, repair, replacement, reconstruction, remodeling or remediation of property due to contamination by "pollutants" or due to the presence, growth, proliferation, spread or any activity of "fungus", wet or dry rot or bacteria; or
 - (b) Any costs associated with the enforcement of an ordinance or law which requires any insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of "pollutants", "fungus", wet or dry rot or bacteria.
- (6) The most we will pay under this Additional Coverage, for each described building insured under this Coverage Form, is \$10,000 or 5% of the Limit of Insurance applicable to that building, whichever is less. If a damaged building is covered under a blanket Limit of Insurance which applies to more than one building or item of property, then the most we will pay under this Additional Coverage, for that damaged building, is the lesser of: \$10,000 or 5% times the value of the damaged building as of the time of loss times the applicable coinsurance percentage.

The amount payable under this Additional Coverage is additional insurance.

- (7) With respect to this Additional Coverage:
 - (a) We will not pay for the Increased Cost of Construction:
 - (i) Until the property is actually repaired or replaced, at the same or another premises; and

- (ii) Unless the repairs or replacement are made as soon as reasonably possible after the loss or damage, not to exceed two years. We may extend this period in writing during the two years.

- (b) If the building is repaired or replaced at the same premises, or if you elect to rebuild at another premises, the most we will pay for the Increased Cost of Construction, subject to the provisions of e.(6) of this Additional Coverage, is the increased cost of construction at the same premises.
- (c) If the ordinance or law requires relocation to another premises, the most we will pay for the Increased Cost of Construction, subject to the provisions of e.(6) of this Additional Coverage, is the increased cost of construction at the new premises.
- (8) This Additional Coverage is not subject to the terms of the Ordinance or Law Exclusion, to the extent that such Exclusion would conflict with the provisions of this Additional Coverage.
- (9) The costs addressed in the Loss Payment and Valuation Conditions, and the Replacement Cost Optional Coverage, in this Coverage Form, do not include the increased cost attributable to enforcement of an ordinance or law. The amount payable under this Additional Coverage, as stated in e.(6) of this Additional Coverage, is not subject to such limitation.

f. Electronic Data

- (1) Under this Additional Coverage, electronic data has the meaning described under Property Not Covered – Electronic Data.
- (2) Subject to the provisions of this Additional Coverage, we will pay for the cost to replace or restore electronic data which has been destroyed or corrupted by a Covered Cause of Loss. To the extent that electronic data is not replaced or restored, the loss will be valued at the cost of replacement of the media on which the electronic data was stored, with blank media of substantially identical type.
- (3) The Covered Causes of Loss applicable to Your Business Personal Property apply to this Additional Coverage – Electronic Data, subject to the following:



- (a) If the Causes Of Loss – Special Form applies, coverage under this Additional Coverage – Electronic Data is limited to the "specified causes of loss" as defined in that form, and Collapse as set forth in that form.
 - (b) If the Causes Of Loss – Broad Form applies, coverage under this Additional Coverage – Electronic Data includes Collapse as set forth in that form.
 - (c) If the Causes Of Loss Form is endorsed to add a Covered Cause of Loss, the additional Covered Cause of Loss does not apply to the coverage provided under this Additional Coverage – Electronic Data.
 - (d) The Covered Causes of Loss include a virus, harmful code or similar instruction introduced into or enacted on a computer system (including electronic data) or a network to which it is connected, designed to damage or destroy any part of the system or disrupt its normal operation. But there is no coverage for loss or damage caused by or resulting from manipulation of a computer system (including electronic data) by any employee, including a temporary or leased employee, or by an entity retained by you or for you to inspect, design, install, modify, maintain, repair or replace that system.
- (4) The most we will pay under this Additional Coverage – Electronic Data is \$2,500 for all loss or damage sustained in any one policy year, regardless of the number of occurrences of loss or damage or the number of premises, locations or computer systems involved. If loss payment on the first occurrence does not exhaust this amount, then the balance is available for subsequent loss or damage sustained in but not after that policy year. With respect to an occurrence which begins in one policy year and continues or results in additional loss or damage in a subsequent policy year(s), all loss or damage is deemed to be sustained in the policy year in which the occurrence began.

5. Coverage Extensions

Except as otherwise provided, the following Extensions apply to property located in or on the building described in the Declarations or in the open (or in a vehicle) within 100 feet of the described premises.

If a Coinsurance percentage of 80% or more or, a Value Reporting period symbol, is shown in the Declarations, you may extend the insurance provided by this Coverage Part as follows:

a. Newly Acquired Or Constructed Property

(1) Buildings

If this policy covers Building, you may extend that insurance to apply to:

- (a) Your new buildings while being built on the described premises; and
- (b) Buildings you acquire at locations, other than the described premises, intended for:
 - (i) Similar use as the building described in the Declarations; or
 - (ii) Use as a warehouse.

The most we will pay for loss or damage under this Extension is \$250,000 at each building.

(2) Your Business Personal Property

- (a) If this policy covers Your Business Personal Property, you may extend that insurance to apply to:
 - (i) Business personal property, including such property that you newly acquire, at any location you acquire other than at fairs, trade shows or exhibitions;
 - (ii) Business personal property, including such property that you newly acquire, located at your newly constructed or acquired buildings at the location described in the Declarations; or
 - (iii) Business personal property that you newly acquire, located at the described premises.

The most we will pay for loss or damage under this Extension is \$100,000 at each building.

(b) This Extension does not apply to:

- (i) Personal property of others that is temporarily in your possession in the course of installing or performing work on such property; or



- (ii) Personal property of others that is temporarily in your possession in the course of your manufacturing or wholesaling activities.

(3) Period Of Coverage

With respect to insurance on or at each newly acquired or constructed property, coverage will end when any of the following first occurs:

- (a) This policy expires;
- (b) 30 days expire after you acquire the property or begin construction of that part of the building that would qualify as covered property; or
- (c) You report values to us.

We will charge you additional premium for values reported from the date you acquire the property or begin construction of that part of the building that would qualify as covered property.

b. Personal Effects And Property Of Others

You may extend the insurance that applies to Your Business Personal Property to apply to:

- (1) Personal effects owned by you, your officers, your partners or members, your managers or your employees. This extension does not apply to loss or damage by theft.
- (2) Personal property of others in your care, custody or control.

The most we will pay for loss or damage under this Extension is \$2,500 at each described premises. Our payment for loss of or damage to personal property of others will only be for the account of the owner of the property.

c. Valuable Papers And Records (Other Than Electronic Data)

- (1) You may extend the insurance that applies to Your Business Personal Property to apply to the cost to replace or restore the lost information on valuable papers and records for which duplicates do not exist. But this Extension does not apply to valuable papers and records which exist as electronic data. Electronic data has the meaning described under Property Not Covered – Electronic Data.
- (2) If the Causes Of Loss – Special Form applies, coverage under this Extension is limited to the "specified causes of loss" as defined in that form, and Collapse as set forth in that form.
- (3) If the Causes Of Loss – Broad Form applies, coverage under this Extension includes Collapse as set forth in that form.
- (4) Under this Extension, the most we will pay to replace or restore the lost information is \$2,500 at each described premises, unless a higher limit is shown in the Declarations. Such amount is additional insurance. We will also pay for the cost of blank material for reproducing the records (whether or not duplicates exist), and (when there is a duplicate) for the cost of labor to transcribe or copy the records. The costs of blank material and labor are subject to the applicable Limit of Insurance on Your Business Personal Property and therefore coverage of such costs is not additional insurance.

d. Property Off-Premises

- (1) You may extend the insurance provided by this Coverage Form to apply to your Covered Property while it is away from the described premises, if it is:
 - (a) Temporarily at a location you do not own, lease or operate;
 - (b) In storage at a location you lease, provided the lease was executed after the beginning of the current policy term; or
 - (c) At any fair, trade show or exhibition.
- (2) This Extension does not apply to property:
 - (a) In or on a vehicle; or



- (b) In the care, custody or control of your salespersons, unless the property is in such care, custody or control at a fair, trade show or exhibition.

- (3) The most we will pay for loss or damage under this Extension is \$10,000.

e. Outdoor Property

You may extend the insurance provided by this Coverage Form to apply to your outdoor fences, radio and television antennas (including satellite dishes), signs (other than signs attached to buildings), trees, shrubs and plants (other than "stock" of trees, shrubs or plants), including debris removal expense, caused by or resulting from any of the following causes of loss if they are Covered Causes of Loss:

- (1) Fire;
- (2) Lightning;
- (3) Explosion;
- (4) Riot or Civil Commotion; or
- (5) Aircraft.

The most we will pay for loss or damage under this Extension is \$1,000, but not more than \$250 for any one tree, shrub or plant. These limits apply to any one occurrence, regardless of the types or number of items lost or damaged in that occurrence.

f. Non-Owned Detached Trailers

- (1) You may extend the insurance that applies to Your Business Personal Property to apply to loss or damage to trailers that you do not own, provided that:

- (a) The trailer is used in your business;
- (b) The trailer is in your care, custody or control at the premises described in the Declarations; and
- (c) You have a contractual responsibility to pay for loss or damage to the trailer.

- (2) We will not pay for any loss or damage that occurs:

- (a) While the trailer is attached to any motor vehicle or motorized conveyance, whether or not the motor vehicle or motorized conveyance is in motion;

- (b) During hitching or unhitching operations, or when a trailer becomes accidentally unhitched from a motor vehicle or motorized conveyance.

- (3) The most we will pay for loss or damage under this Extension is \$1,000, unless a higher limit is shown in the Declarations.

- (4) This insurance is excess over the amount due (whether you can collect on it or not) from any other insurance covering such property.

Each of these Extensions is additional insurance unless otherwise indicated. The Additional Condition, Coinsurance, does not apply to these Extensions.

B. Exclusions And Limitations

See applicable Causes of Loss Form as shown in the Declarations.

C. Limits Of Insurance

The most we will pay for loss or damage in any one occurrence is the applicable Limit of Insurance shown in the Declarations.

The most we will pay for loss or damage to outdoor signs attached to buildings is \$1,000 per sign in any one occurrence.

The limits applicable to the Fire Department Service Charge and Pollutant Clean Up and Removal Additional Coverages are in addition to the Limits of Insurance.

Payments under the Preservation of Property Additional Coverage will not increase the applicable Limit of Insurance.

D. Deductible

In any one occurrence of loss or damage (hereinafter referred to as loss), we will first reduce the amount of loss if required by the Coinsurance Condition or the Agreed Value Optional Coverage. If the adjusted amount of loss is less than or equal to the Deductible, we will not pay for that loss. If the adjusted amount of loss exceeds the Deductible, we will then subtract the Deductible from the adjusted amount of loss, and will pay the resulting amount or the Limit of Insurance, whichever is less.

When the occurrence involves loss to more than one item of Covered Property and separate Limits of Insurance apply, the losses will not be combined in determining application of the Deductible. But the Deductible will be applied only once per occurrence.



Example No. 1:

(This example assumes there is no coinsurance penalty.)

Deductible:	\$ 250
Limit of Insurance – Bldg. 1:	\$ 60,000
Limit of Insurance – Bldg. 2:	\$ 80,000
Loss to Bldg. 1:	\$ 60,100
Loss to Bldg. 2:	\$ 90,000

The amount of loss to Bldg. 1 (\$60,100) is less than the sum (\$60,250) of the Limit of Insurance applicable to Bldg. 1 plus the Deductible.

The Deductible will be subtracted from the amount of loss in calculating the loss payable for Bldg. 1:

\$ 60,100
– 250
<hr/>
\$ 59,850 Loss Payable – Bldg. 1

The Deductible applies once per occurrence and therefore is not subtracted in determining the amount of loss payable for Bldg. 2. Loss payable for Bldg. 2 is the Limit of Insurance of \$80,000.

Total amount of loss payable: \$59,850 + 80,000 = \$139,850

Example No. 2:

(This example, too, assumes there is no coinsurance penalty.)

The Deductible and Limits of Insurance are the same as those in Example No. 1.

Loss to Bldg. 1:	\$ 70,000
(exceeds Limit of Insurance plus Deductible)	
Loss to Bldg. 2:	\$ 90,000
(exceeds Limit of Insurance plus Deductible)	
Loss Payable – Bldg. 1:	\$60,000
(Limit of Insurance)	
Loss Payable – Bldg. 2:	\$80,000
(Limit of Insurance)	
Total amount of loss payable:	\$140,000

E. Loss Conditions

The following conditions apply in addition to the Common Policy Conditions and the Commercial Property Conditions.

1. Abandonment

There can be no abandonment of any property to us.

2. Appraisal

If we and you disagree on the value of the property or the amount of loss, either may make written demand for an appraisal of the loss. In this event, each party will select a competent and impartial appraiser. The two appraisers will select an umpire. If they cannot agree, either may request that selection be made by a judge of a court having jurisdiction. The appraisers will state separately the value of the property and amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will be binding. Each party will:

- Pay its chosen appraiser; and
- Bear the other expenses of the appraisal and umpire equally.

If there is an appraisal, we will still retain our right to deny the claim.

3. Duties In The Event Of Loss Or Damage

- You must see that the following are done in the event of loss or damage to Covered Property:

- (1) Notify the police if a law may have been broken.
- (2) Give us prompt notice of the loss or damage. Include a description of the property involved.
- (3) As soon as possible, give us a description of how, when and where the loss or damage occurred.
- (4) Take all reasonable steps to protect the Covered Property from further damage, and keep a record of your expenses necessary to protect the Covered Property, for consideration in the settlement of the claim. This will not increase the Limit of Insurance. However, we will not pay for any subsequent loss or damage resulting from a cause of loss that is not a Covered Cause of Loss. Also, if feasible, set the damaged property aside and in the best possible order for examination.
- (5) At our request, give us complete inventories of the damaged and undamaged property. Include quantities, costs, values and amount of loss claimed.
- (6) As often as may be reasonably required, permit us to inspect the property proving the loss or damage and examine your books and records.



Also permit us to take samples of damaged and undamaged property for inspection, testing and analysis, and permit us to make copies from your books and records.

(7) Send us a signed, sworn proof of loss containing the information we request to investigate the claim. You must do this within 60 days after our request. We will supply you with the necessary forms.

(8) Cooperate with us in the investigation or settlement of the claim.

b. We may examine any insured under oath, while not in the presence of any other insured and at such times as may be reasonably required, about any matter relating to this insurance or the claim, including an insured's books and records. In the event of an examination, an insured's answers must be signed.

4. Loss Payment

a. In the event of loss or damage covered by this Coverage Form, at our option, we will either:

- (1) Pay the value of lost or damaged property;
- (2) Pay the cost of repairing or replacing the lost or damaged property, subject to b. below;
- (3) Take all or any part of the property at an agreed or appraised value; or
- (4) Repair, rebuild or replace the property with other property of like kind and quality, subject to b. below.

We will determine the value of lost or damaged property, or the cost of its repair or replacement, in accordance with the applicable terms of the Valuation Condition in this Coverage Form or any applicable provision which amends or supersedes the Valuation Condition.

b. The cost to repair, rebuild or replace does not include the increased cost attributable to enforcement of any ordinance or law regulating the construction, use or repair of any property.

c. We will give notice of our intentions within 30 days after we receive the sworn proof of loss.

d. We will not pay you more than your financial interest in the Covered Property.

e. We may adjust losses with the owners of lost or damaged property if other than you. If we pay the owners, such payments will satisfy your claims against us in the owners' property. We will not pay the owners more than their financial interest in the Covered Property.

f. We may elect to defend you against suits arising from claims of owners of property. We will do this at our expense.

g. We will pay for covered loss or damage within 30 days after we receive the sworn proof of loss, if you have complied with all of the terms of this Coverage Part and:

- (1) We have reached agreement with you on the amount of loss; or
- (2) An appraisal award has been made.

5. Recovered Property

If either you or we recover any property after loss settlement, that party must give the other prompt notice. At your option, the property will be returned to you. You must then return to us the amount we paid to you for the property. We will pay recovery expenses and the expenses to repair the recovered property, subject to the Limit of Insurance.

6. Vacancy

a. Description Of Terms

(1) As used in this Vacancy Condition, the term building and the term vacant have the meanings set forth in (1)(a) and (1)(b) below:

(a) When this policy is issued to a tenant, and with respect to that tenant's interest in Covered Property, building means the unit or suite rented or leased to the tenant. Such building is vacant when it does not contain enough business personal property to conduct customary operations.

(b) When this policy is issued to the owner or general lessee of a building, building means the entire building. Such building is vacant unless at least 31% of its total square footage is:

(i) Rented to a lessee or sub-lessee and used by the lessee or sub-lessee to conduct its customary operations; and/or

(ii) Used by the building owner to conduct customary operations.



- (2) Buildings under construction or renovation are not considered vacant.

b. Vacancy Provisions

If the building where loss or damage occurs has been vacant for more than 60 consecutive days before that loss or damage occurs:

- (1) We will not pay for any loss or damage caused by any of the following even if they are Covered Causes of Loss:
 - (a) Vandalism;
 - (b) Sprinkler leakage, unless you have protected the system against freezing;
 - (c) Building glass breakage;
 - (d) Water damage;
 - (e) Theft; or
 - (f) Attempted theft.
- (2) With respect to Covered Causes of Loss other than those listed in b.(1)(a) through b.(1)(f) above, we will reduce the amount we would otherwise pay for the loss or damage by 15%.

7. Valuation

We will determine the value of Covered Property in the event of loss or damage as follows:

- a. At actual cash value as of the time of loss or damage, except as provided in b., c., d. and e. below.
- b. If the Limit of Insurance for Building satisfies the Additional Condition, Coinsurance, and the cost to repair or replace the damaged building property is \$2,500 or less, we will pay the cost of building repairs or replacement.

The cost of building repairs or replacement does not include the increased cost attributable to enforcement of any ordinance or law regulating the construction, use or repair of any property. However, the following property will be valued at the actual cash value even when attached to the building:

- (1) Awnings or floor coverings;
 - (2) Appliances for refrigerating, ventilating, cooking, dishwashing or laundering; or
 - (3) Outdoor equipment or furniture.
- c. "Stock" you have sold but not delivered at the selling price less discounts and expenses you otherwise would have had.

- d. Glass at the cost of replacement with safety glazing material if required by law.

e. Tenant's Improvements and Betterments at:

- (1) Actual cash value of the lost or damaged property if you make repairs promptly.
- (2) A proportion of your original cost if you do not make repairs promptly. We will determine the proportionate value as follows:
 - (a) Multiply the original cost by the number of days from the loss or damage to the expiration of the lease; and
 - (b) Divide the amount determined in (a) above by the number of days from the installation of improvements to the expiration of the lease.If your lease contains a renewal option, the expiration of the renewal option period will replace the expiration of the lease in this procedure.
- (3) Nothing if others pay for repairs or replacement.

F. Additional Conditions

The following conditions apply in addition to the Common Policy Conditions and the Commercial Property Conditions.

1. Coinsurance

If a Coinsurance percentage is shown in the Declarations, the following condition applies.

- a. We will not pay the full amount of any loss if the value of Covered Property at the time of loss times the Coinsurance percentage shown for it in the Declarations is greater than the Limit of Insurance for the property.

Instead, we will determine the most we will pay using the following steps:

- (1) Multiply the value of Covered Property at the time of loss by the Coinsurance percentage;
- (2) Divide the Limit of Insurance of the property by the figure determined in Step (1);



(3) Multiply the total amount of loss, before the application of any deductible, by the figure determined in Step (2); and

(4) Subtract the deductible from the figure determined in Step (3).

We will pay the amount determined in Step (4) or the limit of insurance, whichever is less. For the remainder, you will either have to rely on other insurance or absorb the loss yourself.

Example No. 1 (Underinsurance):

When: The value of the property is \$ 250,000
The Coinsurance percentage for it is 80%
The Limit of Insurance for it is \$ 100,000
The Deductible is \$ 250
The amount of loss is \$ 40,000

Step (1): $\$250,000 \times 80\% = \$200,000$
(the minimum amount of insurance to meet your Coinsurance requirements)

Step (2): $\$100,000 \div \$200,000 = .50$

Step (3): $\$40,000 \times .50 = \$20,000$

Step (4): $\$20,000 - \$250 = \$19,750$

We will pay no more than \$19,750. The remaining \$20,250 is not covered.

Example No. 2 (Adequate Insurance):

When: The value of the property is \$ 250,000
The Coinsurance percentage for it is 80%
The Limit of Insurance for it is \$ 200,000
The Deductible is \$ 250
The amount of loss is \$ 40,000

The minimum amount of insurance to meet your Coinsurance requirement is \$200,000 ($\$250,000 \times 80\%$). Therefore, the Limit of Insurance in this Example is adequate and no penalty applies. We will pay no more than \$39,750 (\$40,000 amount of loss minus the deductible of \$250).

- b. If one Limit of Insurance applies to two or more separate items, this condition will apply to the total of all property to which the limit applies.

Example No. 3:

When: The value of property is:
Bldg. at Location No. 1 \$ 75,000
Bldg. at Location No. 2 \$ 100,000
Personal Property at Location No. 2 \$ 75,000
\$ 250,000

The Coinsurance percentage for it is 90%

The Limit of Insurance for Buildings and Personal Property at Location Nos. 1 and 2 is \$ 180,000
The Deductible is \$ 1,000
The amount of loss is:
Bldg. at Location No. 2 \$ 30,000
Personal Property at Location No. 2. \$ 20,000
\$ 50,000

Step (1): $\$250,000 \times 90\% = \$225,000$
(the minimum amount of insurance to meet your Coinsurance requirements and to avoid the penalty shown below)

Step (2): $\$180,000 \div \$225,000 = .80$

Step (3): $\$50,000 \times .80 = \$40,000$

Step (4): $\$40,000 - \$1,000 = \$39,000$

We will pay no more than \$39,000. The remaining \$11,000 is not covered.

2. Mortgageholders

- The term mortgageholder includes trustee.
- We will pay for covered loss of or damage to buildings or structures to each mortgageholder shown in the Declarations in their order of precedence, as interests may appear.
- The mortgageholder has the right to receive loss payment even if the mortgageholder has started foreclosure or similar action on the building or structure.
- If we deny your claim because of your acts or because you have failed to comply with the terms of this Coverage Part, the mortgageholder will still have the right to receive loss payment if the mortgageholder:
 - Pays any premium due under this Coverage Part at our request if you have failed to do so;
 - Submits a signed, sworn proof of loss within 60 days after receiving notice from us of your failure to do so; and



- (3) Has notified us of any change in ownership, occupancy or substantial change in risk known to the mortgageholder.

All of the terms of this Coverage Part will then apply directly to the mortgageholder.

- e. If we pay the mortgageholder for any loss or damage and deny payment to you because of your acts or because you have failed to comply with the terms of this Coverage Part:

- (1) The mortgageholder's rights under the mortgage will be transferred to us to the extent of the amount we pay; and
(2) The mortgageholder's right to recover the full amount of the mortgageholder's claim will not be impaired.

At our option, we may pay to the mortgageholder the whole principal on the mortgage plus any accrued interest. In this event, your mortgage and note will be transferred to us and you will pay your remaining mortgage debt to us.

- f. If we cancel this policy, we will give written notice to the mortgageholder at least:

- (1) 10 days before the effective date of cancellation if we cancel for your non-payment of premium; or
(2) 30 days before the effective date of cancellation if we cancel for any other reason.

- g. If we elect not to renew this policy, we will give written notice to the mortgageholder at least 10 days before the expiration date of this policy.

G. Optional Coverages

If shown as applicable in the Declarations, the following Optional Coverages apply separately to each item.

1. Agreed Value

- a. The Additional Condition, Coinsurance, does not apply to Covered Property to which this Optional Coverage applies. We will pay no more for loss of or damage to that property than the proportion that the Limit of Insurance under this Coverage Part for the property bears to the Agreed Value shown for it in the Declarations.
b. If the expiration date for this Optional Coverage shown in the Declarations is not extended, the Additional Condition, Coinsurance, is reinstated and this Optional Coverage expires.

- c. The terms of this Optional Coverage apply only to loss or damage that occurs:

- (1) On or after the effective date of this Optional Coverage; and
(2) Before the Agreed Value expiration date shown in the Declarations or the policy expiration date, whichever occurs first.

2. Inflation Guard

- a. The Limit of Insurance for property to which this Optional Coverage applied will automatically increase by the annual percentage shown in the Declarations.
b. The amount of increase will be:
(1) The Limit of Insurance that applied on the most recent of the policy inception date, the policy anniversary date, or any other policy change amending the Limit of Insurance, times
(2) The percentage of annual increase shown in the Declarations, expressed as a decimal (example: 8% is .08), times
(3) The number of days since the beginning of the current policy year or the effective date of the most recent policy change amending the Limit of Insurance, divided by 365.

Example:

If:	The applicable Limit of Insurance is	\$ 100,000
	The annual percentage increase is	8%
	The number of days since the beginning of the policy year (or last policy change) is	146
	The amount of increase is $\$100,000 \times .08 \times 146 \div 365 =$	\$ 3,200

3. Replacement Cost

- a. Replacement Cost (without deduction for depreciation) replaces Actual Cash Value in the Loss Condition, Valuation, of this Coverage Form.
b. This Optional Coverage does not apply to:
(1) Personal property of others;
(2) Contents of a residence;



(3) Works of art, antiques or rare articles, including etchings, pictures, statuary, marbles, bronzes, porcelains and bric-a-brac; or

(4) "Stock", unless the Including "Stock" option is shown in the Declarations.

Under the terms of this Replacement Cost Optional Coverage, tenants' improvements and betterments are not considered to be the personal property of others.

c. You may make a claim for loss or damage covered by this insurance on an actual cash value basis instead of on a replacement cost basis. In the event you elect to have loss or damage settled on an actual cash value basis, you may still make a claim for the additional coverage this Optional Coverage provides if you notify us of your intent to do so within 180 days after the loss or damage.

d. We will not pay on a replacement cost basis for any loss or damage:

(1) Until the lost or damaged property is actually repaired or replaced; and

(2) Unless the repairs or replacement are made as soon as reasonably possible after the loss or damage.

With respect to tenants' improvements and betterments, the following also apply:

(3) If the conditions in d.(1) and d.(2) above are not met, the value of tenants' improvements and betterments will be determined as a proportion of your original cost, as set forth in the Valuation Condition of this Coverage Form; and

(4) We will not pay for loss or damage to tenants' improvements and betterments if others pay for repairs or replacement.

e. We will not pay more for loss or damage on a replacement cost basis than the least of (1), (2) or (3), subject to f. below:

(1) The Limit of Insurance applicable to the lost or damaged property;

(2) The cost to replace the lost or damaged property with other property:

(a) Of comparable material and quality; and

(b) Used for the same purpose; or

(3) The amount actually spent that is necessary to repair or replace the lost or damaged property.

If a building is rebuilt at a new premises, the cost described in e.(2) above is limited to the cost which would have been incurred if the building had been rebuilt at the original premises.

f. The cost of repair or replacement does not include the increased cost attributable to enforcement of any ordinance or law regulating the construction, use or repair of any property.

4. Extension Of Replacement Cost To Personal Property Of Others

a. If the Replacement Cost Optional Coverage is shown as applicable in the Declarations, then this Extension may also be shown as applicable. If the Declarations show this Extension as applicable, then Paragraph 3.b.(1) of the Replacement Cost Optional Coverage is deleted and all other provisions of the Replacement Cost Optional Coverage apply to replacement cost on personal property of others.

b. With respect to replacement cost on the personal property of others, the following limitation applies:

If an item(s) of personal property of others is subject to a written contract which governs your liability for loss or damage to that item(s), then valuation of that item(s) will be based on the amount for which you are liable under such contract, but not to exceed the lesser of the replacement cost of the property or the applicable Limit of Insurance.

H. Definitions

1. "Fungus" means any type or form of fungus, including mold or mildew, and any mycotoxins, spores, scents or by-products produced or released by fungi.

2. "Pollutants" means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

3. "Stock" means merchandise held in storage or for sale, raw materials and in-process or finished goods, including supplies used in their packing or shipping.



BUSINESS INCOME (AND EXTRA EXPENSE) COVERAGE FORM

Various provisions in this policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and is not covered.

Throughout this policy the words "you" and "your" refer to the Named Insured shown in the Declarations. The words "we", "us" and "our" refer to the Company providing this insurance.

Other words and phrases that appear in quotation marks have special meaning. Refer to Section G. – Definitions.

A. Coverage

1. Business Income

Business Income means the:

- a. Net Income (Net Profit or Loss before income taxes) that would have been earned or incurred; and
- b. Continuing normal operating expenses incurred, including payroll.

For manufacturing risks, Net Income includes the net sales value of production.

Coverage is provided as described and limited below for one or more of the following options for which a Limit of Insurance is shown in the Declarations:

- a. Business Income including "Rental Value".
- b. Business Income other than "Rental Value".
- c. "Rental Value".

If option a. above is selected, the term Business Income will include "Rental Value". If option c. above is selected, the term Business Income will mean "Rental Value" only.

If Limits of Insurance are shown under more than one of the above options, the provisions of this Coverage Part apply separately to each.

We will pay for the actual loss of Business Income you sustain due to the necessary "suspension" of your "operations" during the "period of restoration". The "suspension" must be caused by direct physical loss of or damage to property at premises which are described in the Declarations and for which a Business Income Limit of Insurance is shown in the Declarations. The loss or damage must be caused by or result from a Covered Cause of Loss. With respect to loss of or damage to personal property in the open or personal property in a vehicle, the described premises include the area within 100 feet of the site at which the described premises are located.

With respect to the requirements set forth in the preceding paragraph, if you occupy only part of the site at which the described premises are located, your premises means:

- a. The portion of the building which you rent, lease or occupy; and
- b. Any area within the building or on the site at which the described premises are located, if that area services, or is used to gain access to, the described premises.

2. Extra Expense

- a. Extra Expense coverage is provided at the premises described in the Declarations only if the Declarations show that Business Income coverage applies at that premises.
- b. Extra Expense means necessary expenses you incur during the "period of restoration" that you would not have incurred if there had been no direct physical loss or damage to property caused by or resulting from a Covered Cause of Loss.

We will pay Extra Expense (other than the expense to repair or replace property) to:

- (1) Avoid or minimize the "suspension" of business and to continue operations at the described premises or at replacement premises or temporary locations, including relocation expenses and costs to equip and operate the replacement location or temporary location.
- (2) Minimize the "suspension" of business if you cannot continue "operations".

We will also pay Extra Expense to repair or replace property, but only to the extent it reduces the amount of loss that otherwise would have been payable under this Coverage Form.



3. Covered Causes Of Loss, Exclusions And Limitations

See applicable Causes of Loss Form as shown in the Declarations.

4. Additional Limitation – Interruption Of Computer Operations

a. Coverage for Business Income does not apply when a "suspension" of "operations" is caused by destruction or corruption of electronic data, or any loss or damage to electronic data, except as provided under the Additional Coverage – Interruption Of Computer Operations.

b. Coverage for Extra Expense does not apply when action is taken to avoid or minimize a "suspension" of "operations" caused by destruction or corruption of electronic data, or any loss or damage to electronic data, except as provided under the Additional Coverage – Interruption Of Computer Operations.

c. Electronic data means information, facts or computer programs stored as or on, created or used on, or transmitted to or from computer software (including systems and applications software), on hard or floppy disks, CD-ROMs, tapes, drives, cells, data processing devices or any other repositories of computer software which are used with electronically controlled equipment. The term computer programs, referred to in the foregoing description of electronic data, means a set of related electronic instructions which direct the operations and functions of a computer or device connected to it, which enable the computer or device to receive, process, store, retrieve or send data.

5. Additional Coverages

a. Civil Authority

We will pay for the actual loss of Business Income you sustain and necessary Extra Expense caused by action of civil authority that prohibits access to the described premises due to direct physical loss of or damage to property, other than at the described premises, caused by or resulting from any Covered Cause of Loss.

The coverage for Business Income will begin 72 hours after the time of that action and will apply for a period of up to three consecutive weeks after coverage begins.

The coverage for Extra Expense will begin immediately after the time of that action and will end:

- (1) 3 consecutive weeks after the time of that action; or
 - (2) When your Business Income coverage ends;
- whichever is later.

b. Alterations And New Buildings

We will pay for the actual loss of Business Income you sustain and necessary Extra Expense you incur due to direct physical loss or damage at the described premises caused by or resulting from any Covered Cause of Loss to:

- (1) New buildings or structures, whether complete or under construction;
- (2) Alterations or additions to existing buildings or structures; and
- (3) Machinery, equipment, supplies or building materials located on or within 100 feet of the described premises and:
 - (a) Used in the construction, alterations or additions; or
 - (b) Incidental to the occupancy of new buildings.

If such direct physical loss or damage delays the start of "operations", the "period of restoration" for Business Income Coverage will begin on the date "operations" would have begun if the direct physical loss or damage had not occurred.

c. Extended Business Income

(1) Business Income Other Than "Rental Value"

If the necessary "suspension" of your "operations" produces a Business Income loss payable under this policy, we will pay for the actual loss of Business Income you incur during the period that:

- (a) Begins on the date property (except "finished stock") is actually repaired, rebuilt or replaced and "operations" are resumed; and
- (b) Ends on the earlier of:
 - (i) The date you could restore your "operations", with reasonable speed, to the level which would generate the business income amount that would have existed if no direct physical loss or damage had occurred; or



- (ii) 30 consecutive days after the date determined in (1)(a) above.

However, Extended Business Income does not apply to loss of Business Income incurred as a result of unfavorable business conditions caused by the impact of the Covered Cause of Loss in the area where the described premises are located.

Loss of Business Income must be caused by direct physical loss or damage at the described premises caused by or resulting from any Covered Cause of Loss.

(2) "Rental Value"

If the necessary "suspension" of your "operations" produces a "Rental Value" loss payable under this policy, we will pay for the actual loss of "Rental Value" you incur during the period that:

- (a) Begins on the date property is actually repaired, rebuilt or replaced and tenantability is restored; and
- (b) Ends on the earlier of:
 - (i) The date you could restore tenant occupancy, with reasonable speed, to the level which would generate the "Rental Value" that would have existed if no direct physical loss or damage had occurred; or

- (ii) 30 consecutive days after the date determined in (2)(a) above.

However, Extended Business Income does not apply to loss of "Rental Value" incurred as a result of unfavorable business conditions caused by the impact of the Covered Cause of Loss in the area where the described premises are located.

Loss of "Rental Value" must be caused by direct physical loss or damage at the described premises caused by or resulting from any Covered Cause of Loss.

d. Interruption Of Computer Operations

- (1) Under this Additional Coverage, electronic data has the meaning described under Additional Limitation – Interruption Of Computer Operations.

- (2) Subject to all provisions of this Additional Coverage, you may extend the insurance that applies to Business Income and Extra Expense to apply to a "suspension" of "operations" caused by an interruption in computer operations due to destruction or corruption of electronic data due to a Covered Cause of Loss.

- (3) With respect to the coverage provided under this Additional Coverage, the Covered Causes of Loss are subject to the following:

- (a) If the Causes Of Loss – Special Form applies, coverage under this Additional Coverage – Interruption Of Computer Operations is limited to the "specified causes of loss" as defined in that form, and Collapse as set forth in that form.
- (b) If the Causes Of Loss – Broad Form applies, coverage under this Additional Coverage – Interruption Of Computer Operations includes Collapse as set forth in that form.
- (c) If the Causes Of Loss Form is endorsed to add a Covered Cause of Loss, the additional Covered Cause of Loss does not apply to the coverage provided under this Additional Coverage – Interruption Of Computer Operations.
- (d) The Covered Causes of Loss include a virus, harmful code or similar instruction introduced into or enacted on a computer system (including electronic data) or a network to which it is connected, designed to damage or destroy any part of the system or disrupt its normal operation. But there is no coverage for an interruption related to manipulation of a computer system (including electronic data) by any employee, including a temporary or leased employee, or by an entity retained by you or for you to inspect, design, install, maintain, repair or replace that system.



(4) The most we will pay under this Additional Coverage – Interruption of Computer Operations is \$2,500 for all loss sustained and expense incurred in any one policy year, regardless of the number of interruptions or the number of premises, locations or computer systems involved. If loss payment relating to the first interruption does not exhaust this amount, then the balance is available for loss or expense sustained or incurred as a result of subsequent interruptions in that policy year. A balance remaining at the end of a policy year does not increase the amount of insurance in the next policy year. With respect to any interruption which begins in one policy year and continues or results in additional loss or expense in a subsequent policy year(s), all loss and expense is deemed to be sustained or incurred in the policy year in which the interruption began.

(5) This Additional Coverage – Interruption in Computer Operations does not apply to loss sustained or expense incurred after the end of the "period of restoration", even if the amount of insurance stated in (4) above has not been exhausted.

6. Coverage Extension

If a Coinsurance percentage of 50% or more is shown in the Declarations, you may extend the insurance provided by this Coverage Part as follows:

Newly Acquired Locations

- a. You may extend your Business Income and Extra Expense Coverages to apply to property at any location you acquire other than fairs or exhibitions.
- b. The most we will pay under this Extension, for the sum of Business Income loss and Extra Expense incurred, is \$100,000 at each location.
- c. Insurance under this Extension for each newly acquired location will end when any of the following first occurs:
 - (1) This policy expires;
 - (2) 30 days expire after you acquire or begin to construct the property; or
 - (3) You report values to us.

We will charge you additional premium for values reported from the date you acquire the property.

This Extension is additional insurance. The Additional Condition, Coinsurance, does not apply to this Extension.

B. Limits Of Insurance

The most we will pay for loss in any one occurrence is the applicable Limit of Insurance shown in the Declarations.

The limit applicable to the Coverage Extension is in addition to the Limit of Insurance.

Payments under the following coverages will not increase the applicable Limit of Insurance:

1. Alterations and New Buildings;
2. Civil Authority;
3. Extra Expense; or
4. Extended Business Income.

C. Loss Conditions

The following conditions apply in addition to the Common Policy Conditions and the Commercial Property Conditions.

1. Appraisal

If we and you disagree on the amount of Net Income and operating expense or the amount of loss, either may make written demand for an appraisal of the loss. In this event, each party will select a competent and impartial appraiser.

The two appraisers will select an umpire. If they cannot agree, either may request that selection be made by a judge of a court having jurisdiction. The appraisers will state separately the amount of Net Income and operating expense or amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will be binding. Each party will:

- a. Pay its chosen appraiser; and
- b. Bear the other expenses of the appraisal and umpire equally.

If there is an appraisal, we will still retain our right to deny the claim.

2. Duties In The Event Of Loss

a. You must see that the following are done in the event of loss:

- (1) Notify the police if a law may have been broken.
- (2) Give us prompt notice of the direct physical loss or damage. Include a description of the property involved.
- (3) As soon as possible, give us a description of how, when, and where the direct physical loss or damage occurred.



- (4) Take all reasonable steps to protect the Covered Property from further damage, and keep a record of your expenses necessary to protect the Covered Property, for consideration in the settlement of the claim. This will not increase the Limit of Insurance. However, we will not pay for any subsequent loss or damage resulting from a cause of loss that is not a Covered Cause of Loss. Also, if feasible, set the damaged property aside and in the best possible order for examination.

- (5) As often as may be reasonably required, permit us to inspect the property proving the loss or damage and examine your books and records.

Also permit us to take samples of damaged and undamaged property for inspection, testing and analysis, and permit us to make copies from your books and records.

- (6) Send us a signed, sworn proof of loss containing the information we request to investigate the claim. You must do this within 60 days after our request. We will supply you with the necessary forms.
- (7) Cooperate with us in the investigation or settlement of the claim.
- (8) If you intend to continue your business, you must resume all or part of your "operations" as quickly as possible.

- b. We may examine any insured under oath, while not in the presence of any other insured and at such times as may be reasonably required, about any matter relating to this insurance or the claim, including an insured's books and records. In the event of an examination, an insured's answers must be signed.

3. Loss Determination

- a. The amount of Business Income loss will be determined based on:

- (1) The Net Income of the business before the direct physical loss or damage occurred;
- (2) The likely Net Income of the business if no physical loss or damage had occurred, but not including any Net Income that would likely have been earned as a result of an increase in the volume of business due to favorable business conditions caused by the impact of the Covered Cause of Loss on customers or on other businesses;

- (3) The operating expenses, including payroll expenses, necessary to resume "operations" with the same quality of service that existed just before the direct physical loss or damage; and

- (4) Other relevant sources of information, including:

- (a) Your financial records and accounting procedures;
- (b) Bills, invoices and other vouchers; and
- (c) Deeds, liens or contracts.

- b. The amount of Extra Expense will be determined based on:

- (1) All expenses that exceed the normal operating expenses that would have been incurred by "operations" during the "period of restoration" if no direct physical loss or damage had occurred. We will deduct from the total of such expenses:

- (a) The salvage value that remains of any property bought for temporary use during the "period of restoration", once "operations" are resumed; and
- (b) Any Extra Expense that is paid for by other insurance, except for insurance that is written subject to the same plan, terms, conditions and provisions as this insurance; and

- (2) Necessary expenses that reduce the Business Income loss that otherwise would have been incurred.

c. Resumption Of Operations

We will reduce the amount of your:

- (1) Business Income loss, other than Extra Expense, to the extent you can resume your "operations", in whole or in part, by using damaged or undamaged property (including merchandise or stock) at the described premises or elsewhere.
- (2) Extra Expense loss to the extent you can return "operations" to normal and discontinue such Extra Expense.

- d. If you do not resume "operations", or do not resume "operations" as quickly as possible, we will pay based on the length of time it would have taken to resume "operations" as quickly as possible.



4. Loss Payment

We will pay for covered loss within 30 days after we receive the sworn proof of loss, if you have complied with all of the terms of this Coverage Part and:

- a. We have reached agreement with you on the amount of loss; or
- b. An appraisal award has been made.

D. Additional Condition

Coinsurance

If a Coinsurance percentage is shown in the Declarations, the following condition applies in addition to the Common Policy Conditions and the Commercial Property Conditions.

We will not pay the full amount of any Business Income loss if the Limit of Insurance for Business Income is less than:

- a. The Coinsurance percentage shown for Business Income in the Declarations; times
- b. The sum of:
 - (1) The Net Income (Net Profit or Loss before income taxes), and
 - (2) Operating expenses, including payroll expenses,

that would have been earned or incurred (had no loss occurred) by your "operations" at the described premises for the 12 months following the inception, or last previous anniversary date, of this policy (whichever is later).

Instead, we will determine the most we will pay using the following steps:

1. Multiply the Net Income and operating expense for the 12 months following the inception, or last previous anniversary date, of this policy by the Coinsurance percentage;
2. Divide the Limit of Insurance for the described premises by the figure determined in Step 1.; and
3. Multiply the total amount of loss by the figure determined in Step 2.

We will pay the amount determined in Step 3. or the limit of insurance, whichever is less. For the remainder, you will either have to rely on other insurance or absorb the loss yourself.

In determining operating expenses for the purpose of applying the Coinsurance condition, the following expenses, if applicable, shall be deducted from the total of all operating expenses:

1. Prepaid freight – outgoing;
2. Returns and allowances;
3. Discounts;

4. Bad debts;

5. Collection expenses;

6. Cost of raw stock and factory supplies consumed (including transportation charges);

7. Cost of merchandise sold (including transportation charges);

8. Cost of other supplies consumed (including transportation charges);

9. Cost of services purchased from outsiders (not employees) to resell, that do not continue under contract;

10. Power, heat and refrigeration expenses that do not continue under contract (if Form CP 15 11 is attached);

11. All ordinary payroll expenses or the amount of payroll expense excluded (if Form CP 15 10 is attached); and

12. Special deductions for mining properties (royalties unless specifically included in coverage; actual depletion commonly known as unit or cost depletion – not percentage depletion; welfare and retirement fund charges based on tonnage; hired trucks).

Example No. 1 (Underinsurance):

When:	The Net Income and operating expenses for the 12 months following the inception, or last previous anniversary date, of this policy at the described premises would have been	\$ 400,000
	The Coinsurance percentage is	50%
	The Limit of Insurance is	\$ 150,000
	The amount of loss is	\$ 80,000

Step 1: $\$400,000 \times 50\% = \$200,000$
(the minimum amount of insurance to meet your Coinsurance requirements)

Step 2: $\$150,000 \div \$200,000 = .75$

Step 3: $\$80,000 \times .75 = \$60,000$

We will pay no more than \$60,000. The remaining \$20,000 is not covered.



Example No. 2 (Adequate Insurance):

When: The Net Income and operating expenses for the 12 months following the inception, or last previous anniversary date, of this policy at the described premises would have been \$ 400,000
 The Coinsurance percentage is 50%
 The Limit of Insurance is \$ 200,000
 The amount of loss is \$ 80,000

The minimum amount of insurance to meet your Coinsurance requirement is \$200,000 (\$400,000 x 50%). Therefore, the Limit of Insurance in this Example is adequate and no penalty applies. We will pay no more than \$80,000 (amount of loss).

This condition does not apply to Extra Expense coverage.

E. Optional Coverages

If shown as applicable in the Declarations, the following Optional Coverages apply separately to each item.

1. Maximum Period Of Indemnity

- a. The Additional Condition, Coinsurance, does not apply to this Coverage Form at the described premises to which this Optional Coverage applies.
- b. The most we will pay for the total of Business Income loss and Extra Expense is the lesser of:
 - (1) The amount of loss sustained and expenses incurred during the 120 days immediately following the beginning of the "period of restoration"; or
 - (2) The Limit of Insurance shown in the Declarations.

2. Monthly Limit Of Indemnity

- a. The Additional Condition, Coinsurance, does not apply to this Coverage Form at the described premises to which this Optional Coverage applies.
- b. The most we will pay for loss of Business Income in each period of 30 consecutive days after the beginning of the "period of restoration" is:
 - (1) The Limit of Insurance, multiplied by
 - (2) The fraction shown in the Declarations for this Optional Coverage.

Example:

When: The Limit of Insurance is \$ 120,000
 The fraction shown in the Declarations for this Optional Coverage is 1/4
 The most we will pay for loss in each period of 30 consecutive days is:
 $\$120,000 \times 1/4 = \$30,000$
 If, in this example, the actual amount of loss is:

Days 1-30	\$ 40,000
Days 31-60	20,000
Days 61-90	30,000
	<hr/>
	\$ 90,000

We will pay:

Days 1-30	\$ 30,000
Days 31-60	20,000
Days 61-90	30,000
	<hr/>
	\$ 80,000

The remaining \$10,000 is not covered.

3. Business Income Agreed Value**a. To activate this Optional Coverage:**

- (1) A Business Income Report/Work Sheet must be submitted to us and must show financial data for your "operations":

- (a) During the 12 months prior to the date of the Work Sheet; and
- (b) Estimated for the 12 months immediately following the inception of this Optional Coverage.

- (2) The Declarations must indicate that the Business Income Agreed Value Optional Coverage applies, and an Agreed Value must be shown in the Declarations. The Agreed Value should be at least equal to:

- (a) The Coinsurance percentage shown in the Declarations; multiplied by
- (b) The amount of Net Income and operating expenses for the following 12 months you report on the Work Sheet.

b. The Additional Condition, Coinsurance, is suspended until:

- (1) 12 months after the effective date of this Optional Coverage; or





6. "Suspension" means:

- a. The slowdown or cessation of your business activities; or**
- b. That a part or all of the described premises is rendered untenable, if coverage for Business Income including "Rental Value" or "Rental Value" applies.**



CAUSES OF LOSS – SPECIAL FORM

Words and phrases that appear in quotation marks have special meaning. Refer to Section F. – Definitions.

A. Covered Causes Of Loss

When Special is shown in the Declarations, Covered Causes of Loss means Risks Of Direct Physical Loss unless the loss is:

1. Excluded in Section B., Exclusions; or
2. Limited in Section C., Limitations;

that follow.

B. Exclusions

1. We will not pay for loss or damage caused directly or indirectly by any of the following. Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss.

a. Ordinance Or Law

The enforcement of any ordinance or law:

- (1) Regulating the construction, use or repair of any property; or
- (2) Requiring the tearing down of any property, including the cost of removing its debris.

This exclusion, Ordinance Or Law, applies whether the loss results from:

- (1) An ordinance or law that is enforced even if the property has not been damaged; or
- (2) The increased costs incurred to comply with an ordinance or law in the course of construction, repair, renovation, remodeling or demolition of property, or removal of its debris, following a physical loss to that property.

b. Earth Movement

- (1) Earthquake, including any earth sinking, rising or shifting related to such event;
- (2) Landslide, including any earth sinking, rising or shifting related to such event;
- (3) Mine subsidence, meaning subsidence of a man-made mine, whether or not mining activity has ceased;

- (4) Earth sinking (other than sinkhole collapse), rising or shifting including soil conditions which cause settling, cracking or other disarrangement of foundations or other parts of realty. Soil conditions include contraction, expansion, freezing, thawing, erosion, improperly compacted soil and the action of water under the ground surface.

But if Earth Movement, as described in b.(1) through (4) above, results in fire or explosion, we will pay for the loss or damage caused by that fire or explosion.

- (5) Volcanic eruption, explosion or effusion. But if volcanic eruption, explosion or effusion results in fire, building glass breakage or Volcanic Action, we will pay for the loss or damage caused by that fire, building glass breakage or Volcanic Action.

Volcanic action means direct loss or damage resulting from the eruption of a volcano when the loss or damage is caused by:

- (a) Airborne volcanic blast or airborne shock waves;
- (b) Ash, dust or particulate matter; or
- (c) Lava flow.

All volcanic eruptions that occur within any 168 hour period will constitute a single occurrence.

Volcanic action does not include the cost to remove ash, dust or particulate matter that does not cause direct physical loss or damage to the described property.

c. Governmental Action

Seizure or destruction of property by order of governmental authority.

But we will pay for loss or damage caused by or resulting from acts of destruction ordered by governmental authority and taken at the time of a fire to prevent its spread, if the fire would be covered under this Coverage Part.



d. Nuclear Hazard

Nuclear reaction or radiation, or radioactive contamination, however caused.

But if nuclear reaction or radiation, or radioactive contamination, results in fire, we will pay for the loss or damage caused by that fire.

e. Utility Services

The failure of power or other utility service supplied to the described premises, however caused, if the failure occurs away from the described premises. Failure includes lack of sufficient capacity and reduction in supply.

But if the failure of power or other utility service results in a Covered Cause of Loss, we will pay for the loss or damage caused by that Covered Cause of Loss.

This exclusion does not apply to the Business Income coverage or to Extra Expense coverage. Instead, the Special Exclusion in Paragraph B.4.a.(1) applies to these coverages.

f. War And Military Action

- (1) War, including undeclared or civil war;
- (2) Wartime action by a military force, including action in hindering or defending against an actual or expected attack, by any government, sovereign or other authority using military personnel or other agents; or
- (3) Insurrection, rebellion, revolution, usurped power, or action taken by governmental authority in hindering or defending against any of these.

g. Water

- (1) Flood, surface water, waves, tides, tidal waves, overflow of any body of water, or their spray, all whether driven by wind or not;
- (2) Mudslide or mudflow;
- (3) Water that backs up or overflows from a sewer, drain or sump; or
- (4) Water under the ground surface pressing on, or flowing or seeping through:
 - (a) Foundations, walls, floors or paved surfaces;
 - (b) Basements, whether paved or not; or
 - (c) Doors, windows or other openings.

But if Water, as described in g.(1) through g.(4) above, results in fire, explosion or sprinkler leakage, we will pay for the loss or damage caused by that fire, explosion or sprinkler leakage.

h. "Fungus", Wet Rot, Dry Rot And Bacteria

Presence, growth, proliferation, spread or any activity of "fungus", wet or dry rot or bacteria.

But if "fungus", wet or dry rot or bacteria results in a "specified cause of loss", we will pay for the loss or damage caused by that "specified cause of loss".

This exclusion does not apply.

1. When "fungus", wet or dry rot or bacteria results from fire or lightning; or
2. To the extent that coverage is provided in the Additional Coverage – Limited Coverage For "Fungus", Wet Rot, Dry Rot And Bacteria with respect to loss or damage by a cause of loss other than fire or lightning.

Exclusions B.1.a. through B.1.h. apply whether or not the loss event results in widespread damage or affects a substantial area.

2. We will not pay for loss or damage caused by or resulting from any of the following:

- a. Artificially generated electrical current, including electric arcing, that disturbs electrical devices, appliances or wires.

But if artificially generated electrical current results in fire, we will pay for the loss or damage caused by that fire.

- b. Delay, loss of use or loss of market.
- c. Smoke, vapor or gas from agricultural smudging or industrial operations.

d.(1) Wear and tear;

- (2) Rust or other corrosion, decay, deterioration, hidden or latent defect or any quality in property that causes it to damage or destroy itself;

(3) Smog;

- (4) Settling, cracking, shrinking or expansion;

- (5) Nesting or infestation, or discharge or release of waste products or secretions, by insects, birds, rodents or other animals.



(6) Mechanical breakdown, including rupture or bursting caused by centrifugal force. But if mechanical breakdown results in elevator collision, we will pay for the loss or damage caused by that elevator collision.

(7) The following causes of loss to personal property:

(a) Dampness or dryness of atmosphere;

(b) Changes in or extremes of temperature; or

(c) Marring or scratching.

But if an excluded cause of loss that is listed in 2.d.(1) through (7) results in a "specified cause of loss" or building glass breakage, we will pay for the loss or damage caused by that "specified cause of loss" or building glass breakage.

e. Explosion of steam boilers, steam pipes, steam engines or steam turbines owned or leased by you, or operated under your control. But if explosion of steam boilers, steam pipes, steam engines or steam turbines results in fire or combustion explosion, we will pay for the loss or damage caused by that fire or combustion explosion. We will also pay for loss or damage caused by or resulting from the explosion of gases or fuel within the furnace of any fired vessel or within the flues or passages through which the gases of combustion pass.

f. Continuous or repeated seepage or leakage of water, or the presence or condensation of humidity, moisture or vapor, that occurs over a period of 14 days or more.

g. Water, other liquids, powder or molten material that leaks or flows from plumbing, heating, air conditioning or other equipment (except fire protective systems) caused by or resulting from freezing, unless:

(1) You do your best to maintain heat in the building or structure; or

(2) You drain the equipment and shut off the supply if the heat is not maintained.

h. Dishonest or criminal act by you, any of your partners, members, officers, managers, employees (including leased employees), directors, trustees, authorized representatives or anyone to whom you entrust the property for any purpose:

(1) Acting alone or in collusion with others; or

(2) Whether or not occurring during the hours of employment.

This exclusion does not apply to acts of destruction by your employees (including leased employees); but theft by employees (including leased employees) is not covered.

i. Voluntary parting with any property by you or anyone else to whom you have entrusted the property if induced to do so by any fraudulent scheme, trick, device or false pretense.

j. Rain, snow, ice or sleet to personal property in the open.

k. Collapse, except as provided below in the Additional Coverage for Collapse. But if collapse results in a Covered Cause of Loss at the described premises, we will pay for the loss or damage caused by that Covered Cause of Loss.

l. Discharge, dispersal, seepage, migration, release or escape of "pollutants" unless the discharge, dispersal, seepage, migration, release or escape is itself caused by any of the "specified causes of loss". But if the discharge, dispersal, seepage, migration, release or escape of "pollutants" results in a "specified cause of loss", we will pay for the loss or damage caused by that "specified cause of loss".

This exclusion, l., does not apply to damage to glass caused by chemicals applied to the glass.

m. Neglect of an insured to use all reasonable means to save and preserve property from further damage at and after the time of loss.

3. We will not pay for loss or damage caused by or resulting from any of the following, 3.a. through 3.c. But if an excluded cause of loss that is listed in 3.a. through 3.c. results in a Covered Cause of Loss, we will pay for the loss or damage caused by that Covered Cause of Loss.

a. Weather conditions. But this exclusion only applies if weather conditions contribute in any way with a cause or event excluded in Paragraph 1. above to produce the loss or damage.

b. Acts or decisions, including the failure to act or decide, of any person, group, organization or governmental body.



c. Faulty, inadequate or defective:

- (1) Planning, zoning, development, surveying, siting;
- (2) Design, specifications, workmanship, repair, construction, renovation, remodeling, grading, compaction;
- (3) Materials used in repair, construction, renovation or remodeling; or
- (4) Maintenance;

of part or all of any property on or off the described premises.

4. Special Exclusions

The following provisions apply only to the specified Coverage Forms.

a. Business Income (And Extra Expense) Coverage Form, Business Income (Without Extra Expense) Coverage Form, Or Extra Expense Coverage Form

We will not pay for:

- (1) Any loss caused directly or indirectly by the failure of power or other utility service supplied to the described premises, however caused, if the failure occurs outside of a covered building. Failure includes lack of sufficient capacity and reduction in supply.

But if the failure of power or other utility service results in a Covered Cause of Loss, we will pay for the loss resulting from that Covered Cause of Loss.

- (2) Any loss caused by or resulting from:
 - (a) Damage or destruction of "finished stock"; or
 - (b) The time required to reproduce "finished stock".

This exclusion does not apply to Extra Expense.

- (3) Any loss caused by or resulting from direct physical loss or damage to radio or television antennas (including satellite dishes) and their lead-in wiring, masts or towers.

- (4) Any increase of loss caused by or resulting from:

- (a) Delay in rebuilding, repairing or replacing the property or resuming "operations", due to interference at the location of the rebuilding, repair or replacement by strikers or other persons; or

- (b) Suspension, lapse or cancellation of any license, lease or contract. But if the suspension, lapse or cancellation is directly caused by the "suspension" of "operations", we will cover such loss that affects your Business Income during the "period of restoration" and any extension of the "period of restoration" in accordance with the terms of the Extended Business Income Additional Coverage and the Extended Period Of Indemnity Optional Coverage or any variation of these.

- (5) Any Extra Expense caused by or resulting from suspension, lapse or cancellation of any license, lease or contract beyond the "period of restoration".

- (6) Any other consequential loss.

b. Leasehold Interest Coverage Form

- (1) Paragraph B.1.a. Ordinance Or Law, does not apply to insurance under this Coverage Form.

- (2) We will not pay for any loss caused by:

- (a) Your cancelling the lease;
- (b) The suspension, lapse or cancellation of any license; or
- (c) Any other consequential loss.

c. Legal Liability Coverage Form

- (1) The following exclusions do not apply to insurance under this Coverage Form:

- (a) Paragraph B.1.a., Ordinance Or Law;
- (b) Paragraph B.1.c., Governmental Action;
- (c) Paragraph B.1.d., Nuclear Hazard;
- (d) Paragraph B.1.e., Utility Services; and
- (e) Paragraph B.1.f., War And Military Action.



- (2) The following additional exclusions apply to insurance under this Coverage Form:

(a) Contractual Liability

We will not defend any claim or "suit", or pay damages that you are legally liable to pay, solely by reason of your assumption of liability in a contract or agreement. But this exclusion does not apply to a written lease agreement in which you have assumed liability for building damage resulting from an actual or attempted burglary or robbery, provided that:

- (i) Your assumption of liability was executed prior to the accident; and
- (ii) The building is Covered Property under this Coverage Form.

(b) Nuclear Hazard

We will not defend any claim or "suit", or pay any damages, loss, expense or obligation, resulting from nuclear reaction or radiation, or radioactive contamination, however caused.

C. Limitations

The following limitations apply to all policy forms and endorsements, unless otherwise stated.

1. We will not pay for loss of or damage to property, as described and limited in this section. In addition, we will not pay for any loss that is a consequence of loss or damage as described and limited in this section.

a. Steam boilers, steam pipes, steam engines or steam turbines caused by or resulting from any condition or event inside such equipment. But we will pay for loss of or damage to such equipment caused by or resulting from an explosion of gases or fuel within the furnace of any fired vessel or within the flues or passages through which the gases of combustion pass.

b. Hot water boilers or other water heating equipment caused by or resulting from any condition or event inside such boilers or equipment, other than an explosion.

- c. The interior of any building or structure, or to personal property in the building or structure, caused by or resulting from rain, snow, sleet, ice, sand or dust, whether driven by wind or not, unless:

- (1) The building or structure first sustains damage by a Covered Cause of Loss to its roof or walls through which the rain, snow, sleet, ice, sand or dust enters; or
- (2) The loss or damage is caused by or results from thawing of snow, sleet or ice on the building or structure.

- d. Building materials and supplies not attached as part of the building or structure, caused by or resulting from theft.

However, this limitation does not apply to:

- (1) Building materials and supplies held for sale by you, unless they are insured under the Builders Risk Coverage Form; or
- (2) Business Income coverage or Extra Expense coverage.

- e. Property that is missing, where the only evidence of the loss or damage is a shortage disclosed on taking inventory, or other instances where there is no physical evidence to show what happened to the property.

- f. Property that has been transferred to a person or to a place outside the described premises on the basis of unauthorized instructions.

2. We will not pay for loss of or damage to the following types of property unless caused by the "specified causes of loss" or building glass breakage:

a. Animals, and then only if they are killed or their destruction is made necessary.

b. Fragile articles such as statuary, marbles, chinaware and porcelains, if broken. This restriction does not apply to:

- (1) Glass; or
- (2) Containers of property held for sale.

c. Builders' machinery, tools and equipment owned by you or entrusted to you, provided such property is Covered Property.



However, this limitation does not apply:

- (1) If the property is located on or within 100 feet of the described premises, unless the premises is insured under the Builders Risk Coverage Form; or
 - (2) To Business Income coverage or to Extra Expense coverage.
3. The special limit shown for each category, a. through d., is the total limit for loss of or damage to all property in that category. The special limit applies to any one occurrence of theft, regardless of the types or number of articles that are lost or damaged in that occurrence. The special limits are:
- a. \$2,500 for furs, fur garments and garments trimmed with fur.
 - b. \$2,500 for jewelry, watches, watch movements, jewels, pearls, precious and semi-precious stones, bullion, gold, silver, platinum and other precious alloys or metals. This limit does not apply to jewelry and watches worth \$100 or less per item.
 - c. \$2,500 for patterns, dies, molds and forms.
 - d. \$250 for stamps, tickets, including lottery tickets held for sale, and letters of credit.

These special limits are part of, not in addition to, the Limit of Insurance applicable to the Covered Property.

This limitation, C.3., does not apply to Business Income coverage or to Extra Expense coverage.

4. We will not pay the cost to repair any defect to a system or appliance from which water, other liquid, powder or molten material escapes. But we will pay the cost to repair or replace damaged parts of fire extinguishing equipment if the damage:
- a. Results in discharge of any substance from an automatic fire protection system; or
 - b. Is directly caused by freezing.

However, this limitation does not apply to Business Income coverage or to Extra Expense coverage.

D. Additional Coverage – Collapse

The term Covered Cause of Loss includes the Additional Coverage – Collapse as described and limited in D.1. through D.5. below.

1. With respect to buildings:

- a. Collapse means an abrupt falling down or caving in of a building or any part of a building with the result that the building or part of the building cannot be occupied for its intended purpose;
- b. A building or any part of a building that is in danger of falling down or caving in is not considered to be in a state of collapse;
- c. A part of a building that is standing is not considered to be in a state of collapse even if it has separated from another part of the building;
- d. A building that is standing or any part of a building that is standing is not considered to be in a state of collapse even if it shows evidence of cracking, bulging, sagging, bending, leaning, settling, shrinkage or expansion.

2. We will pay for direct physical loss or damage to Covered Property, caused by collapse of a building or any part of a building that is insured under this Coverage Form or that contains Covered Property insured under this Coverage Form, if the collapse is caused by one or more of the following:

- a. The "specified causes of loss" or breakage of building glass, all only as insured against in this Coverage Part;
- b. Decay that is hidden from view, unless the presence of such decay is known to an insured prior to collapse;
- c. Insect or vermin damage that is hidden from view, unless the presence of such damage is known to an insured prior to collapse;
- d. Weight of people or personal property;
- e. Weight of rain that collects on a roof;



- f. Use of defective material or methods in construction, remodeling or renovation if the collapse occurs during the course of the construction, remodeling or renovation. However, if the collapse occurs after construction, remodeling or renovation is complete and is caused in part by a cause of loss listed in 2.a. through 2.e., we will pay for the loss or damage even if use of defective material or methods, in construction, remodeling or renovation, contributes to the collapse.

The criteria set forth in 1.a. through 1.d. do not limit the coverage otherwise provided under this Causes of Loss Form for the causes of loss listed in 2.a., 2.d. and 2.e.

3. With respect to the following property:
- a. Outdoor radio or television antennas (including satellite dishes) and their lead-in wiring, masts or towers;
 - b. Awnings, gutters and downspouts;
 - c. Yard fixtures;
 - d. Outdoor swimming pools;
 - e. Fences;
 - f. Piers, wharves and docks;
 - g. Beach or diving platforms or appurtenances;
 - h. Retaining walls; and
 - i. Walks, roadways and other paved surfaces;
- if the collapse is caused by a cause of loss listed in 2.b. through 2.f., we will pay for loss or damage to that property only if:
- a. Such loss or damage is a direct result of the collapse of a building insured under this Coverage Form; and
 - b. The property is Covered Property under this Coverage Form.
4. If personal property abruptly falls down or caves in and such collapse is not the result of collapse of a building, we will pay for loss or damage to Covered Property caused by such collapse of personal property only if:
- a. The collapse was caused by a Cause of Loss listed in 2.a. through 2.f. above;
 - b. The personal property which collapses is inside a building; and
 - c. The property which collapses is not of a kind listed in 3. above, regardless of whether that kind of property is considered to be personal property or real property.

The coverage stated in this Paragraph 4. does not apply to personal property if marring and/or scratching is the only damage to that personal property caused by the collapse.

Collapse of personal property does not mean cracking, bulging, sagging, bending, leaning, settling, shrinkage or expansion.

5. This Additional Coverage, Collapse, will not increase the Limits of Insurance provided in this Coverage Part.

E. Additional Coverage – Limited Coverage For "Fungus", Wet Rot, Dry Rot And Bacteria

1. The coverage described in E.2. and E.6. only applies when the "fungus", wet or dry rot or bacteria is the result of one or more of the following causes that occurs during the policy period and only if all reasonable means were used to save and preserve the property from further damage at the time of and after that occurrence.
- a. A "specified cause of loss" other than fire or lightning; or
 - b. Flood, if the Flood Coverage Endorsement applies to the affected premises.
2. We will pay for loss or damage by "fungus", wet or dry rot or bacteria. As used in this Limited Coverage, the term loss or damage means:
- a. Direct physical loss or damage to Covered Property caused by "fungus", wet or dry rot or bacteria, including the cost of removal of the "fungus", wet or dry rot or bacteria;
 - b. The cost to tear out and replace any part of the building or other property as needed to gain access to the "fungus", wet or dry rot or bacteria; and
 - c. The cost of testing performed after removal, repair, replacement or restoration of the damaged property is completed, provided there is a reason to believe that "fungus", wet or dry rot or bacteria are present.
3. The coverage described under E.2. of this Limited Coverage is limited to \$15,000. Regardless of the number of claims, this limit is the most we will pay for the total of all loss or damage arising out of all occurrences of "specified causes of loss" (other than fire or lightning) and Flood which take place in a 12-month period (starting with the beginning of the present annual policy period). With respect to a particular occurrence of loss which results in "fungus", wet or dry rot or bacteria, we will not pay more than a total of \$15,000 even if the "fungus", wet or dry rot or bacteria continues to be present or active, or recurs, in a later policy period.



4. The coverage provided under this Limited Coverage does not increase the applicable Limit of Insurance on any Covered Property. If a particular occurrence results in loss or damage by "fungus", wet or dry rot or bacteria, and other loss or damage, we will not pay more, for the total of all loss or damage, than the applicable Limit of Insurance on the affected Covered Property.

If there is covered loss or damage to Covered Property, not caused by "fungus", wet or dry rot or bacteria, loss payment will not be limited by the terms of this Limited Coverage, except to the extent that "fungus", wet or dry rot or bacteria causes an increase in the loss. Any such increase in the loss will be subject to the terms of this Limited Coverage.

5. The terms of this Limited Coverage do not increase or reduce the coverage provided under Paragraph F.2. (Water Damage, Other Liquids, Powder Or Molten Material Damage) of this Causes Of Loss Form or under the Additional Coverage - Collapse.

6. The following, 6.a. or 6.b., applies only if Business Income and/or Extra Expense coverage applies to the described premises and only if the "suspension" of "operations" satisfies all terms and conditions of the applicable Business Income and/or Extra Expense coverage form.

a. If the loss which resulted in "fungus", wet or dry rot or bacteria does not in itself necessitate a "suspension" of "operations", but such "suspension" is necessary due to loss or damage to property caused by "fungus", wet or dry rot or bacteria, then our payment under Business Income and/or Extra Expense is limited to the amount of loss and/or expense sustained in a period of not more than 30 days. The days need not be consecutive.

b. If a covered "suspension" of "operations" was caused by loss or damage other than "fungus", wet or dry rot or bacteria but remediation of "fungus", wet or dry rot or bacteria prolongs the "period of restoration", we will pay for loss and/or expense sustained during the delay (regardless of when such a delay occurs during the "period of restoration"), but such coverage is limited to 30 days. The days need not be consecutive.

F. Additional Coverage Extensions

1. Property In Transit

This Extension applies only to your personal property to which this form applies.

a. You may extend the insurance provided by this Coverage Part to apply to your personal property (other than property in the care, custody or control of your salespersons) in transit more than 100 feet from the described premises. Property must be in or on a motor vehicle you own, lease or operate while between points in the coverage territory.

b. Loss or damage must be caused by or result from one of the following causes of loss:

(1) Fire, lightning, explosion, windstorm or hail, riot or civil commotion, or vandalism.

(2) Vehicle collision, upset or overturn. Collision means accidental contact of your vehicle with another vehicle or object. It does not mean your vehicle's contact with the road bed.

(3) Theft of an entire bale, case or package by forced entry into a securely locked body or compartment of the vehicle. There must be visible marks of the forced entry.

c. The most we will pay for loss or damage under this Extension is \$5,000.

This Coverage Extension is additional insurance. The Additional Condition, Coinsurance, does not apply to this Extension.

2. Water Damage, Other Liquids, Powder Or Molten Material Damage

If loss or damage caused by or resulting from covered water or other liquid, powder or molten material damage loss occurs, we will also pay the cost to tear out and replace any part of the building or structure to repair damage to the system or appliance from which the water or other substance escapes. This Coverage Extension does not increase the Limit of Insurance.

3. Glass

a. We will pay for expenses incurred to put up temporary plates or board up openings if repair or replacement of damaged glass is delayed.



- b. We will pay for expenses incurred to remove or replace obstructions when repairing or replacing glass that is part of a building. This does not include removing or replacing window displays.

This Coverage Extension, F.3., does not increase the Limit of Insurance.

G. Definitions

1. "Fungus" means any type or form of fungus, including mold or mildew, and any mycotoxins, spores, scents or by-products produced or released by fungi.
2. "Specified Causes of Loss" means the following: Fire; lightning; explosion; windstorm or hail; smoke; aircraft or vehicles; riot or civil commotion; vandalism; leakage from fire extinguishing equipment; sinkhole collapse; volcanic action; falling objects; weight of snow, ice or sleet; water damage.
 - a. Sinkhole collapse means the sudden sinking or collapse of land into underground empty spaces created by the action of water on limestone or dolomite. This cause of loss does not include:
 - (1) The cost of filling sinkholes; or

- (2) Sinking or collapse of land into man-made underground cavities.

- b. Falling objects does not include loss or damage to:

- (1) Personal property in the open; or
- (2) The interior of a building or structure, or property inside a building or structure, unless the roof or an outside wall of the building or structure is first damaged by a falling object.

- c. Water damage means accidental discharge or leakage of water or steam as the direct result of the breaking apart or cracking of a plumbing, heating, air conditioning or other system or appliance (other than a sump system including its related equipment and parts), that is located on the described premises and contains water or steam.



C06-15-31-06
PUGET SOUND FREIGHT LINE
06/01/07

COMMERCIAL PROPERTY

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

TENTATIVE RATE

The rates used in the development of the premium for the Commercial Property Coverage Part are tentative. We will adjust the premium effective from the inception date of this Coverage Part once the rates are promulgated. If this is a renewal of a policy previously issued by us, we will adjust the premium effective from the renewal date of this Coverage Part once the rates are promulgated.



C06 15-31-06
POLICY NUMBER: PUGET SOUND FREIGHT LINE
06/01/07

COMMERCIAL PROPERTY

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

LOSS PAYABLE PROVISIONS

This endorsement modifies insurance provided under the following:

BUILDING AND PERSONAL PROPERTY COVERAGE FORM
BUILDERS' RISK COVERAGE FORM
CONDOMINIUM ASSOCIATION COVERAGE FORM
CONDOMINIUM COMMERCIAL UNIT-OWNERS COVERAGE FORM
STANDARD PROPERTY POLICY

SCHEDULE

Provisions Applicable			
Loss Payable	Lender's Loss Payable	Contract of Sale	
B			
Premises No.	Building No.	Description of Property	Loss Payee (Name & Address)
9	1	BUS PERS PROP	PUGET SOUND BANK 10500 NE 8TH ST STE 1800 BELLEVUE, WA 98004

- A. When this endorsement is attached to the STANDARD PROPERTY POLICY CP 00 99 the term Coverage Part in this endorsement is replaced by the term Policy.

The following is added to the LOSS PAYMENT Loss Condition, as indicated in the Declarations or by an "X" in the Schedule:

B. LOSS PAYABLE

For Covered Property in which both you and a Loss Payee shown in the Schedule or in the Declarations have an insurable interest, we will:

1. Adjust losses with you; and
2. Pay any claim for loss or damage jointly to you and the Loss Payee, as interests may appear.

C. LENDER'S LOSS PAYABLE

1. The Loss Payee shown in the Schedule or in the Declarations is a creditor, including a mortgageholder or trustee, whose interest in Covered Property is established by such written instruments as:
 - a. Warehouse receipts;
 - b. A contract for deed;
 - c. Bills of lading;
 - d. Financing statements; or
 - e. Mortgages, deeds of trust, or security agreements.

2. For Covered Property in which both you and a Loss Payee have an insurable interest:
- a. We will pay for covered loss or damage to each Loss Payee in their order of precedence, as interests may appear.
 - b. The Loss Payee has the right to receive loss payment even if the Loss Payee has started foreclosure or similar action on the Covered Property.
 - c. If we deny your claim because of your acts or because you have failed to comply with the terms of the Coverage Part, the Loss Payee will still have the right to receive loss payment if the Loss Payee:
 - (1) Pays any premium due under this Coverage Part at our request if you have failed to do so;
 - (2) Submits a signed, sworn proof of loss within 60 days after receiving notice from us of your failure to do so; and
 - (3) Has notified us of any change in ownership, occupancy or substantial change in risk known to the Loss Payee.All of the terms of this Coverage Part will then apply directly to the Loss Payee.
 - d. If we pay the Loss Payee for any loss or damage and deny payment to you because of your acts or because you have failed to comply with the terms of this Coverage Part:
 - (1) The Loss Payee's rights will be transferred to us to the extent of the amount we pay; and
 - (2) The Loss Payee's rights to recover the full amount of the Loss Payee's claim will not be impaired.At our option, we may pay to the Loss Payee the whole principal on the debt plus any accrued interest. In this event, you will pay your remaining debt to us.
3. If we cancel this policy, we will give written notice to the Loss Payee at least:
- a. 10 days before the effective date of cancellation if we cancel for your nonpayment of premium; or
 - b. 30 days before the effective date of cancellation if we cancel for any other reason.
4. If we elect not to renew this policy, we will give written notice to the Loss Payee at least 10 days before the expiration date of this policy.

D. CONTRACT OF SALE

- 1. The Loss Payee shown in the Schedule or in the Declarations is a person or organization you have entered a contract with for the sale of Covered Property.
- 2. For Covered Property in which both you and the Loss Payee have an insurable interest, we will:
 - a. Adjust losses with you; and
 - b. Pay any claim for loss or damage jointly to you and the Loss Payee, as interest may appear.
- 3. The following is added to the OTHER INSURANCE Condition:

For Covered Property that is the subject of a contract of sale, the word "you" includes the Loss Payee.